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Special Issue:

Enlargement of the EUROPEAN COMMUNITY

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This week's cover:

Headquarters of the European Community in Brussels. Called Berlaymont after an ancient convent which formerly occupied the site, the building is in the center of Brussels "European" area. New buildings going up about half a mile away will help take care of the expanded activities growing out of EC enlargement, the subject of this issue.

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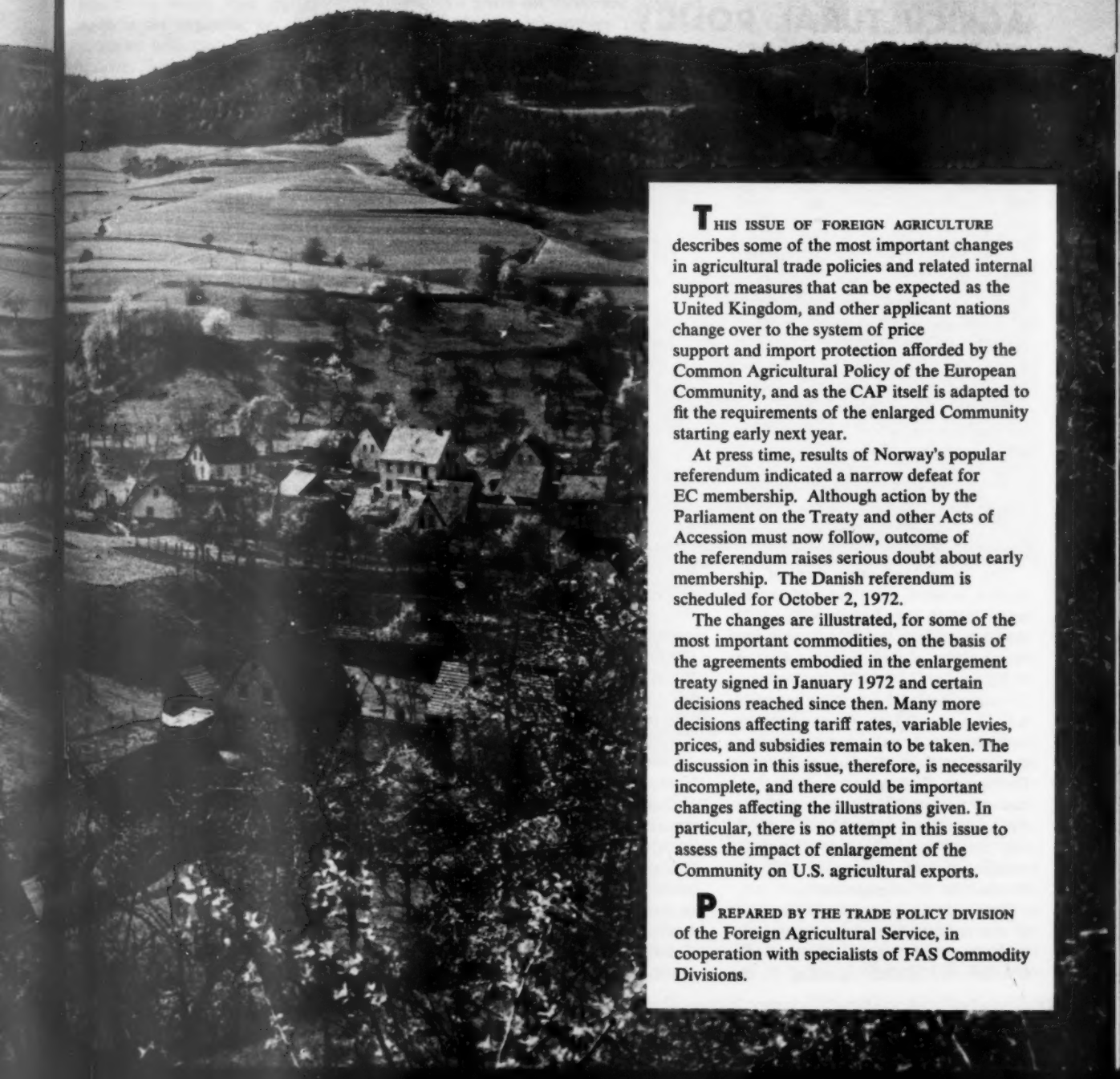
Britain, Ireland, Norway, Denmark—and the Common Market



THIS ISSUE OF FOREIGN AGRICULTURE describes some of the most important changes in agricultural trade policies and related internal support measures that can be expected as the United Kingdom, and other applicant nations change over to the system of price support and import protection afforded by the Common Agricultural Policy of the European Community, and as the CAP itself is adapted to fit the requirements of the enlarged Community starting early next year.

At press time, results of Norway's popular referendum indicated a narrow defeat for EC membership. Although action by the Parliament on the Treaty and other Acts of Accession must now follow, outcome of the referendum raises serious doubt about early membership. The Danish referendum is scheduled for October 2, 1972.

The changes are illustrated, for some of the most important commodities, on the basis of the agreements embodied in the enlargement treaty signed in January 1972 and certain decisions reached since then. Many more decisions affecting tariff rates, variable levies, prices, and subsidies remain to be taken. The discussion in this issue, therefore, is necessarily incomplete, and there could be important changes affecting the illustrations given. In particular, there is no attempt in this issue to assess the impact of enlargement of the Community on U.S. agricultural exports.

PREPARED BY THE TRADE POLICY DIVISION of the Foreign Agricultural Service, in cooperation with specialists of FAS Commodity Divisions.

LARGER EUROPEAN COMMUNITY PREPARES FOR ITS COMMON AGRICULTURAL POLICY

On January 1, 1973, the United Kingdom, Ireland, and Denmark will join the Six—Germany, France, Italy, the Netherlands, Belgium, and Luxembourg—in an enlarged European Community. Norway's entry is now in doubt. The new members wil begin to apply most of the provisions of the EC's Common Agricultural Policy (CAP) February 1, 1973.

U.S. agricultural exports to the four countries during calendar 1971 totaled $608 million, of which the United Kingdom accounted for $438 million, or 72 percent. Among the products most likely to be affected are grains and preparations (including rice), $126 million; tobacco, $132 million; fruits and vegetables, $55 million; and lard, $26 million.

The Treaty and other Acts of Accession between the Four and the Six were signed on January 22, 1972. British entry into the EC was approved in principle by Parliament in October 1971, and in July 1972 the House of Commons passed the enabling act which will give the British Government the authority to make the necessary changes without further referral to Parliament. Irish entry was submitted to a referendum which won overwhelming approval on May 10, 1972. Norway and Denmark scheduled popular referendums for September 25 and October 2, 1972, respectively.

New regulations required. Hundreds of the regulations which comprise the CAP must be revised. Some of the revisions are already specified in the Acts of Accession. Other new regulations have yet to be prepared, in particular those fixing the prices to be applied in the new Member States and those authorizing new members to maintain exceptional treatment for various commodities.

Community institutions will also be changed by enlargement.

The Council of Ministers, which is the principal decision-making body of the EC, is normally comprised of the appropriate cabinet minister (e.g., agriculture, finance, foreign affairs, depending on the subject) from each Member State, whose vote is weighted as follows:

	EC Ten	EC Six
France	10	4
Germany	10	4
Italy	10	4
United Kingdom	10	—
Belgium	5	2
Netherlands	5	2
Denmark	3	—
Ireland	3	—
Norway	3	—
Luxembourg	2	1
	61	17

Decisions by "qualified majority" vote in the enlarged EC would require a majority of 43 votes (previously 12 votes). In practice, however, most Council decisions are expected to be made, as they are now, by unanimity or consensus. Weighted voting, however, is practiced in the "Management Committees" of Member State representatives, through which the EC Commission administers day-to-day agricultural policy decisions such as levy and subsidy changes and enactment of implementing regulations as delegated to the Commission by the Council.

In addition, perhaps one-third of the 5,000-6,000 jobs in the Commission must be vacated to make room for personnel recruited from the new Member States.

The new members, in turn, must enact the laws necessary to operate market intervention, pay export subsidies, issue import licenses, and grant other forms of assistance called for under the CAP. They must also dismantle existing farm programs, with certain exceptions:

Britain, for example, will continue to grant deficiency payments until market prices in the United Kingdom have been raised to the level of British price guarantees. The Acts of Accession also recognize the problem of hill farming, for which there is no provision under the present CAP. The British, therefore, will be permitted to continue national assistance to farmers living in hilly areas suited only for grazing. In addition, special exceptions have been made for some Commonwealth sugar producers and for New Zealand butter and cheese (see pages 25 and 26).

Ireland now has a free trade agreement with the United Kingdom under which most Irish exports already enter the United Kingdom duty free. No change in this practice is required. Some Irish imports from the United Kingdom, however, are not yet free of

duty, and the treaty allows Ireland to continue to reduce duties faster for the United Kingdom than for other EC members. In addition, Ireland will continue to receive other benefits such as sales of cattle under British price guarantees, as long as these guarantees exist.

Denmark is expected to make wide use of the privilege of accelerated adjustment to the CAP. Denmark and the other new members are to adjust their tariffs toward the EC tariff, starting from the national tariff rates in force on January 1, 1972. The Danes, therefore, adopted a new schedule of customs duties, which were applied for 2 weeks at the beginning of 1972, then suspended until entry into the EC. In addition, Denmark may raise some low duties immediately to the EC level upon entry. Denmark has—at least in the grain sector—set very high support prices, effective February 1, 1973.

High prices mean high variable import levies. In effect, Denmark will make the bulk of its adjustment to CAP support and protection levels on the first month after entry.

Norway, on the other hand, is faced with exactly the opposite problem. In order to maintain a viable agricultural economy under adverse geographic conditions, Norwegian farm price support levels for many products are far above those in the Six. Adoption of the CAP with no offsetting compensation would mean a 40-percent drop in Norwegian farm income. Norway, therefore, was granted permission to continue its present farm programs until December 31, 1975.

While many details have not been decided, this should mean that Norway's initial level of protection against imports would be relatively unchanged and would be adjusted to the CAP level according to the same schedule as in the other new member countries. Present farm programs will be used until the end of 1975 to raise farmer returns further to desired levels. Thereafter, the present program will be revised to a system of acreage payments aimed at maintaining income. Other special provisions apply for particular products. These arrangements will be subject to a continuing review to assure that Norwegian difficulties are resolved insofar as possible within the context of the CAP and other Community policies.

Tariffs to be adjusted. For those agricultural products which will not become subject to variable levies, three kinds of changes must be made by the new members. First, they must convert present duties, which are often specific (based on weight), to the type of duty in the EC tariff, generally ad valorem, and they must adopt insofar as practicable the nomenclature of the EC's Common External Tariff (CXT). Nomenclature changes are required by February 1, 1973, for products under the CAP and by April 1, 1973, for other products. The date for conversion to ad valorem duties is not specified.

Second, the new members and the Six must phase out duties and levies on imports between themselves. The schedule for elimination of import duties is shown in the accompanying table.

The third change required in new member tariff schedules is the gradual increase or decrease of new member tariff rates to aline with those in the CXT. (See table on next page.)

Variable levies to be adopted. For grains, rice, pork, poultry, eggs, dairy products, sugar, olive oil, and processed foods, existing fixed duty rates in the new member countries must be changed to variable levies on trade with third countries. For beef, variable levies must be adopted on top of applicable customs duties. These changes should be made by February 1, 1973. The changes are extremely complicated, however. Most of them have not yet been worked out. Separate articles in this issue deal in more detail with the individual product sectors listed.

For trade between the Four and the Six in products subject to variable levies, a system of import charges will be instituted, which must be phased out by 1978. These charges, however, will be neither variable levies nor customs duties. They will be fixed amounts imposed on imports or paid on exports as required to offset the difference between the price level to apply in the new member country (after February 1, 1973) and the corresponding common price level that would apply if adjustment to the CAP were completed.

Thus, in fact, the charges equal the difference between the starting and ending (or "common") price levels in each new Member State. This difference, called a "compensatory amount," is fixed for each product for each new member for the entire marketing year. The compensatory amount is to be collected by the Six on imports of a product from a new member whose prices are below the common level (generally, this applies to all of the Four except Norway).

Similarly, the same compensatory amount is to be paid by the Six on exports of a product to a new member whose prices are below the common level. Conversely, the Four (other than Norway) collect no compensatory amount on imports from the Six and pay no compensatory amount on exports to the Six on products subject to the variable levy system, because the Four (with Norway again excepted) all have lower prices than the Six. Nor-

SCHEDULE FOR ELIMINATION OF IMPORT DUTIES AMONG THE TEN

[In percent of original duty remaining]

Date	Beef sector	Fruits, vegetables, live plants, flowers	Other agricultural products	Processed foods	"Industrial" products [1]
Apr. 1, 1973	80	100	100	80	80
July 1, 1973	80	100	80	80	80
Jan. 1, 1974	80	80	60	60	60
Apr. 1, 1974	60	80	60	60	60
Jan. 1, 1975	60	60	40	40	40
Apr. 1, 1975	40	60	40	40	40
Jan. 1, 1976	40	40	20	20	20
Apr. 1, 1976	20	40	20	20	20
Jan. 1, 1977	20	20	20	20	20
Apr. 1, 1977	0	20	20	20	20
July 1, 1977	0	20	0	0	0
Jan. 1, 1978	0	0	0	0	0

[1] Includes cotton, wool, other fibers, hides and skins, and essential oils.

SCHEDULE FOR ALINEMENT OF FOUR'S IMPORT DUTIES ON THE CXT

[In percent of change toward full CXT]

Date	Beef sector	Fruits, vegetables, live plants, flowers	Other agricultural products	Processed foods	"Industrial" products [1]
Apr. 1, 1973	20	0	0	0	0
Jan. 1, 1974	20	20	40	40	40
Apr. 1, 1974	40	20	40	40	40
Jan. 1, 1975	40	40	60	60	60
Apr. 1, 1975	60	40	60	60	60
Jan. 1, 1976	60	60	80	80	80
Apr. 1, 1976	80	60	80	80	80
Jan. 1, 1977	80	80	80	80	80
Apr. 1, 1977	100	80	80	80	80
July 1, 1977	100	80	100	100	100
Jan. 1, 1978	100	100	100	100	100

[1] Includes cotton, wool, other fibers, hides and skins, and essential oils.

way, whose starting prices would generally be above the common level, would collect compensatory amounts on imports from the Six as well as from other new members and would subsidize exports to all members.

In trade between new members, the difference between the compensatory amount for each will be applied. Thus, on trade in a given product with the United Kingdom, Denmark will normally collect and pay the difference between the British and Danish compensatory amounts, while the United Kingdom, whose support price level will generally be the furthest below the common level, will rarely, if ever, collect or pay compensatory amounts on any item.

Compensatory amounts, where they apply, will be eliminated in six proportionally equal steps at the beginning of each marketing year: April 1 for beef and dairy products, July 1 for sugar, August 1 for grains, pork, poultry, and eggs, and September 1 for rice—except that the final cut takes place January 1, 1978.

In trade with third countries, new members whose support prices are below the common level will collect a reduced levy on imports from third countries and will pay a reduced subsidy on exports. The reduced levy or subsidy in each case is the common levy or subsidy applicable in the Six, minus the "compensatory amount" described above for the new member concerned. Thus, as compensatory amounts are made smaller each year the common levies and subsidies will be reduced by less and less until all 10 members apply the same levies and subsidies in trade with third countries. (In Norway, where support prices will be above the common level, the compensatory amount would be added to common levies and subsidies and gradually eliminated as in other new Member States.)

Preferences. The Six now have or are negotiating preferential trading arrangements with over 50 countries and territories, including most of those countries bordering on the Mediterranean, most of the French-speaking African countries, and three Commonwealth countries in East Africa. Under these arrangements, the Community both grants and receives tariff preferences. They apply to a large number of manufactured products and also to certain agricultural commodities. The Community grants to Mediterranean countries preferences on fresh citrus fruit, various other fresh fruits and vegetables, raisins, unmanufactured tobacco, and certain other commodities. Some of the more important agricultural imports from Africa given preferential treatment include unmanufactured tobacco, rice, canned pineapple, and vegetable oils.

The new EC members will adopt the Community's Mediterranean preference system upon their entry into the Community, with certain transitional measures and adjustments yet to be concluded. For the time being, the new members will not adopt the Community's arrangements in Africa, and the United Kingdom (and Ireland) will continue to grant preferences to certain developing Commonwealth countries. These developing Commonwealth countries will be brought into the EC preferential system after the present EC arrangements with African countries expire on January 31, 1975. Commonwealth countries other than those stipulated as developing will cease to receive Commonwealth preferences upon the United Kingdom's entry into the Community, although some of these countries receive and will continue to receive preferences under the EC generalized preference program.

The United Kingdom, Denmark, and Norway are members of the European Free Trade Area, which applies primarily to trade in industrial products and also to trade in some agricultural products. Partially in order to avoid reinstituting duties between these countries and those EFTA members which are not entering the Community, the Community has negotiated trade arrangements with Switzerland, Sweden, Finland, Austria, Portugal, and Iceland. These arrangements, too, apply primarily to manufactured items, although they also include certain concessions on agricultural products, for the most part processed items. These arrangements will become effective when the new EC members enter the Community.

Quantitative restrictions. On February 1, 1973, new members must abolish import quotas and other quantitative restrictions not authorized by the CAP. Generally, however, the national restriction will be replaced by protection under the CAP, by accelerated duty increases toward the CXT, by the use of minimum prices (for potatoes and horticultural products in Norway), or by application of surtaxes specifically authorized for fruits and vegetables. Also the CAP for fruits and vegetables still allows the imposition of national quantitative restrictions for certain fresh products and for processed products.

For products not subject to the CAP, quantitative restrictions are to be removed only in intra-Community trade —beginning January 1, 1973.

Health regulations. In general, new members are permitted to keep unchanged their present health regulations governing imports of meat and live animals until 1978.

The same privilege is granted by and large with respect to the application of EC food law directives governing the use of food colors and other additives.

Higher Grain Prices and Levy Regulations Established for EC Applicants

Danish farmer plows his grain field. Denmark will adjust to EC price and levy system for grains faster than other new EC members.

DURING MEETINGS in July, representatives from the European Community and from the four countries scheduled to join the EC next January —the United Kingdom, Ireland, Denmark, and Norway—met to discuss how each of the Four could adjust its grain prices to equal those of the EC. The adjustments will lead to higher grain prices—for both producers and consumers—in the United Kingdom, Denmark, and Ireland, and high levies on imports.

In calendar 1971, the United States exported $113 million of grains and preparations (other than rice) to the three countries. The United Kingdom, most important of these, took $55 million of corn and $50 million of wheat.

Variable levies. The transition to EC prices and import levies is scheduled to begin with an initial adjustment on February 1, 1973; this will be followed by a series of six equal adjustments—the first five on August 1 of each year from 1973 through 1977, and the sixth on January 1, 1978. At the date of the final adjustment, all three countries are scheduled to have grain import levies equal to those of the other EC countries and comparable intervention prices.[1]

The initial adjustment will be different for each country. The United Kingdom, which now has a minimum import price and levy system for bread and feed wheats, must establish a levy for Durum wheat (which is not now subject to levies). The levy on feed wheat can be expected to rise, but for other wheats and feedgrains, little initial adjustment will be required. Denmark, which now applies levies and quantitative restrictions, must give up the latter. In addition, however, it plans a sharp increase in levies on all grains. Full EC levies will be applied from February 1, 1973, on corn and sorghum imported into Denmark from third countries. In fact, Denmark made substantial increases in levies on August 1, 1972, in anticipation of movement to the EC system. Ireland must also remove licensing controls and will therefore move from duty-free but very restrictive treatment of imports to application of very sizable levies. The system to apply in Norway has not yet been determined; Norway would be combining levies with its present programs for 3 years to keep producer prices

[1] Intervention prices are prices at which the Government stands ready to buy all domestic grain offered. These support prices thus provide a floor to the market. All dollar data in this article are converted from data in common "units of account" —UA1.00 = $1.08571. These dollar equivalents do not necessarily reflect the dollar value of the same data in EC member countries converted to dollars at current market exchange rates.

U.S. EXPORTS OF GRAINS AND PREPARATIONS TO THE FOUR, 1971
[In millions of dollars]

Type of grain	United Kingdom	Ireland	Denmark	Norway	Total
Wheat	50.0	2.2	—	2.9	55.1
Corn	54.9	.7	0.1	.1	55.7
Sorghum	—	—	—	—	—
Barley	—	1.7	3.7	—	5.4
Other	—	—	—	—	—
Total	104.9	4.6	3.8	3.0	[1] 116.2

[1] Figure does not add due to rounding.
Note: Data do not include transshipment to the Four through other countries.

PRICE DIFFERENCES TO BE REMOVED, 1973-78
[In dollars per metric ton]

Type of grain	United Kingdom	Denmark	Ireland
Non-Durum wheat	48.11	10.80	8.14
Durum	71.01	11.83	22.94
Barley	45.96	9.42	16.13
Corn	40.07	0	24.97
Sorghum	40.54	0	27.13

above levels in the rest of the EC.[2]

In trade between the countries of the enlarged EC there will be no levies or subsidies like those applicable in trade with third countries. Instead, to the extent that intervention prices in the new member countries differ from the common prices that would apply if the new members were fully adjusted to EC price levels, these price differentials may be applied to imports and exports in intra-EC trade. For example, since British prices are below the common level, France will pay the price differential as a subsidy on exports to the United Kingdom, while the United Kingdom will impose no charge on imports from France. It should further be noted that these price differentials, by contrast with variable levies, are fixed amounts, to be reduced at the beginning of each marketing year until they are finally eliminated on January 1, 1978. The price differentials have been determined for the United Kingdom, Denmark, and Ireland.

An approximate idea of the changes to be expected in import charges on February 1, 1973, is given in the accompanying table (which does not show the payment of price differentials as export subsidies).

Intervention prices. Intervention prices will at present be set only for wheat and barley in the United Kingdom and Ireland, and for wheat, barley, and rye in Denmark. The prices set for these three members are the midseason prices to apply February 1, 1973. These prices, plus the price differentials fixed by the EC Council, are the basis for determining the common intervention prices toward which these new members must adjust. (As indicated above, no decision on the level of Norwegian intervention prices has yet been made.)

Export subsidies. Beginning February 1, 1973, the new members will also be eligible for subsidies on exports to third countries. These subsidy rates for new members will be the rate authorized for the Six, minus whatever price differential is established for the new member.

[2] Notwithstanding the systems now in force, the United Kingdom has certain duty bindings, which it suspended in 1964: Zero for wheat and most corn; 10 percent for barley and sorghum. Denmark and Norway also have duty-free bindings on certain grains.

REPRESENTATIVE GRAIN INTERVENTION PRICES

[In dollars per metric ton]

Country and port	Wheat		Barley	
	2/1/73	Common price	2/1/73	Common price
EC—Original Six:				
Highest inland (Duisburg)	120.70	120.70	108.52	108.52
Highest northern port (Rotterdam)	119.97	119.97	107.78	107.78
Lowest port (Rouen)	116.94	116.94	104.67	104.67
United Kingdom:				
Principal inland (Cambridge)	67.95	116.06	57.05	103.01
Ireland:				
Principal inland (Enniscorthy)	111.25	119.39	88.83	104.97
Denmark:				
Principal (Bandholm)	106.68	117.48	96.85	106.27

GRAIN IMPORT CHARGES BY THE EC SIX AND NEW MEMBER COUNTRIES, FEBRUARY 1, 1973, UNDER PRESENT AND NEW IMPORT SYSTEMS

[In dollars per metric ton]

Country or area	Non-Durum wheat	Durum wheat	Barley	Corn	Sorghum
EC Six:					
Imports under present system:					
From all non-EC countries including U.K., Ireland, and Denmark—VL	73.66	78.32	58.50	53.95	53.23
Imports under new system:					
From third countries—VL	73.66	78.32	58.50	53.95	53.23
From U.K.—PD	48.11	71.01	45.96	40.07	40.54
From Ireland—PD	8.14	22.94	16.13	24.97	27.13
From Denmark—PD	10.80	11.83	9.42	0	0
United Kingdom:					
Imports under present system:					
From all countries—VL	[1] 25.16	0	12.38	13.70	12.53
Imports under new system:					
From third countries—VL	25.55	7.21	12.54	13.88	12.69
From EC Six—PD	0	0	0	0	0
From Ireland—PD	0	0	0	0	0
From Denmark—PD	0	0	0	0	0
Denmark:					
Imports under present system: [3]					
From all countries—VL	15.53	0	13.14	11.25	11.75
Imports under new system:					
From third countries—VL	62.86	66.49	49.18	53.95	53.23
From EC Six—PD	0	0	0	0	0
From the U.K.—PD	37.31	59.18	36.54	40.07	40.54
From Ireland—PD	0	11.11	6.71	24.97	27.13
Ireland:					
Imports under present system:					
From all countries	0	0	0	0	0
Imports under new system:					
From third countries—VL	65.52	55.38	42.37	28.98	26.10
From EC Six—PD	0	0	0	0	0
From the U.K.—PD	39.97	48.07	29.83	15.10	13.41
From Denmark—PD	2.66	0	0	0	0

[1] For EC-type soft wheat. Levies would be different for other wheats. [3] A minimum import price of DKr525 ($70) per ton is assumed instead of the higher minimum prices adopted after July 1972 in anticipation of EC entry.

VL — Variable levies, based on Aug. 1, 1972, world prices; PD — Fixed price differentials, as decided by EC Council.

Application of Rice CAP in Britain May Give Italy's Rice A Price Advantage

Weeding rice in Italian field. Italy is the only large exporter of rice in the European Community.

On February 1, 1973, the United Kingdom, Ireland, Denmark, and Norway are scheduled to adopt the EC's Common Agricultural Policy for rice. The result could be an increase in the level of subsidies on Italian exports to the Four.

U.S. rice exports to the Four in 1971 totaled over $10 million—$9,692,000 to the United Kingdom, $167,000 to Denmark, $156,000 to Norway, and $66,000 to Ireland.

Since none of the new EC members produce rice, their present level of import protection is generally very low, and there are no internal support programs. For example, duties are zero on brown rice imported into the United Kingdom, Ireland, and Denmark and zero on milled rice into Ireland. The United Kingdom and Denmark have duties of about 3 percent and 5 percent, respectively, on milled rice, while Norway has a low duty on brown rice, but a rather high one on milled rice. The only import restrictions are in Norway, where imports are controlled by a Government monopoly to prevent interference with grain support programs.

The EC, on the other hand, operates a complex system of variable import levies designed not only to protect local French and Italian production, but to enable Italy to export to northern Germany and the Benelux countries without encountering price competition from third country imports. (The United States and other suppliers of long-grain rice have been able to compete on a quality basis with Italian short-grain varieties.)

Variable levies as now imposed by the Six are calculated from common threshold prices fixed annually as of September 1, for Rotterdam and increased each month from December through July to allow for storage costs. For February 1, 1973, these prices will be as follows: Short-grain brown rice, $230.28 per metric ton; medium- and long-grain brown rice, $251.99 per ton. Short-grain milled rice will be $299.87 per ton, compared with $353.18 for medium- and long-grain milled rice.[1]

World market price quotations adjusted to a c.i.f. Rotterdam basis and further adjusted for differences in quality from Italian rice varieties are computed weekly, or more often if considered necessary. The difference between the lowest adjusted c.i.f. quotation and the threshold price is the levy to be imposed on imports.

In establishing the levy to be paid by importers in each new EC member, it must be decided what threshold price will be applied initially by the new member. The difference between this initial threshold price and the common threshold price (the same as used by the Six) would then become the levy or subsidy—called the "compensatory amount"—on trade between the new member and the Six.

Although the common threshold prices for February 1, 1973 have already been determined, the initial threshold prices for the new members have not yet been decided. They are to be, for each new member, an average of market prices during a reference period. Neither the markets in question nor the reference period has been designated. Nevertheless, since duties and restrictions on imports into the United Kingdom, Denmark, and Ireland have been zero or very low, the market price selected for these countries will probably be near world market levels—which at present are $190 per metric ton for long-grain brown rice. On such a price, the compensatory amount for long-grain brown rice would be $61.99 ($251.99 minus $190).

At the same time, on February 1, 1973, the EC would pay a subsidy on exports to the United Kingdom equal to

(*Continued on page 32*)

[1] Conversion was made from units of account at UA1 = $1.0857. Prices are approximate because of exchange rate fluctuations.

U.K. IMPORTS OF RICE, 1967-71
[In metric tons]

Origin	1967	1968	1969	1970	1971
United States	60,386	71,406	57,453	62,110	55,578
European Community	1,702	5,087	1,450	1,679	35,866
Other	45,495	47,512	56,238	62,034	56,086
Total	107,583	124,005	115,141	125,823	147,530

NO MAJOR CHANGES SEEN IN NEW-MEMBER TREATMENT OF OILSEED IMPORTS

Danish poultry processing plant. Denmark is a big user of soybeans and meal for poultry and pig feed and will continue to import them duty free.

Sales of U.S. soybeans and other oilseeds and oilcake are not expected to face any major changes in import treatment by the new Member States when they join the European Community next January 1. Soybeans are presently duty free in each of the applicants as well as in the EC. For other major U.S. trade items going to the applicants, the duties will either remain the same or be lowered.

U.S. exports of these products to the four applicant countries totaled $128 million in 1971. The biggest market was Denmark, which took $61 million of oilseeds—virtually all soybeans—and $10 million of oilcake. Norway was the second largest purchaser: $28 million of oilseeds and oilcake, of which soybeans was $26 million. The United Kingdom took $25 million of U.S. oilseeds and oilcake; Ireland, $4 million.

If the United Kingdom, Denmark, Norway, and Ireland are to join the European Community, they will have to adapt their agricultural systems, over a period of 5 years, to the Common Agricultural Policy (CAP) of the EC. For oilseeds, oilcake, and vegetable oils, this will mean moving from systems with low or zero duties and little or no domestic support to a system with generally comparable import protection but with effective domestic supports and export subsidies.

Because of GATT bindings, which allow imports of oilseeds, meals, and cakes to enter at zero duty, the EC support system for these products is not based upon protection at the border. Fixed duties are confined, for the most part, to vegetable oils. Domestic prices for rapeseed and sunflowerseed are supported by subsidies which are paid to crushers for processing EC seeds. The subsidy is given because the world market price for rapeseed and sunflowerseed is below the Community target price; the subsidy is usually equal to the difference. Only those seeds harvested in the Community and processed into oil are eligible for the subsidy.

This subsidy system has been extremely effective in maintaining high producer prices and encouraging expansion of production. Producers sell their oilseeds to processors at or around the high target price and the processor is reimbursed by an amount so as to maintain the domestic seeds' competitive ability in relation to oilseed imports. In addition, because of the method of calculating the world market price (whereby an adjustment is made to the derived c.i.f. price to take account of certain processing costs), there is even an element of preference in favor of purchasing domestic seeds by the crusher.

The regulations for operating the common policy for oilseeds, which the applicants will aline with, include the establishment of two domestic prices—a target price and an intervention price. The target price is fixed at a level which will give producers an "equitable" income and which will stimulate a certain level of output. The intervention price is fixed somewhat below the target price.

The intervention prices will be harmonized over a 5-year period beginning with a price adjustment on the part of the new members which will allow domestic producers in each country to realize the same income that they had under the previous national system. These initial prices have not yet been announced.

Denmark is the only new member with a support program for domestic producers, and is, therefore, the only country that will have to give up its domestic program. A total of 8 million kroners (about US$1.15 million) is distributed annually to rape growers in Denmark in proportion to their production. This program will be eliminated on February 1, 1973.

The system of subsidies to crushers of rapeseed and sunflowerseed will also be introduced by the four new members on February 1, 1973. The new members will pay the subsidy authorized for the original Six, minus the amount of the intervention price adjustment scheduled (with allowance for any import duties). So, as the intervention prices are brought together during the period of transition, the price (and duty) adjustments will disappear, thereby increasing the crushing subsidy to the level of the Six.

These adjustments will take place annually, starting July 1, 1973, for rapeseed and September 1, 1973, for sunflowerseed. The final adjustment, how-

Dry sow feeding in Britain. British duties on soybean meal will be reduced to zero after entry.

ever, will be on January 1, 1978. New members will also be eligible for EC export subsidies. During transition, the level of the subsidy on exports to third countries from the new members will be smaller by the amount of price adjustment for each transitional stage, and gradually increased until the subsidies coincide with those in the Six.

Vegetable oils under the jurisdiction of the CAP are covered by customs duties on imports and an escape clause if imports of corresponding oil-bearing products threaten to damage domestic producers, or if imports enter at prices which indicate export subsidies are being applied by exporting countries. This escape measure is in the form of a compensatory levy fixed by the Council.

The United States exported $7.3 million of cottonseed oil and peanut oil to the United Kingdom in 1971. There were practically no exports of vegetable oils to the other three new members. The duties on crude cottonsed oil and peanut oil for food use have been 15 percent in the United Kingdom and 10 percent in the EC. The schedule for harmonizing these duties—expressed in percent ad valorem—is as follows:

Date	U.K. duty: For third countries	U.K. duty: For the Six	EC duty for U.K.
July 1, 1973	15	12	8
Jan. 1, 1974	13	9	6
Jan. 1, 1975	12	6	4
Jan. 1, 1976	11	3	2
July 1, 1977	10	0	0

For products on which there is a duty in the applicants but not in the EC—such as soybean cake and meal, which is subject to a 10-percent duty in the United Kingdom—the following schedule also expressed in percentages—will be employed:

Date	U.K. duties: For third countries	U.K. duties: For the Six
July 1, 1973	10	8
Jan. 1, 1974	6	6
Jan. 1, 1975	4	4
Jan. 1, 1976	2	2
July 1, 1977	0	0

Flax and hemp production in the EC is subsidized through a special regulation. For the 1972-73 crop year (beginning August 1) the subsidy for flax is 135 units of account per hectare and the subsidy for hemp (which is not produced in significant amounts in either the EC or the applicant countries) is 80 units of account per hectare. For flaxseed, the entire subsidy is given to the producer; for flax for fibers, half the subsidy is given to the producer and half is given to the first buyer. A special arrangement will work to establish subsidy levels for flax producers in the applicants. This arrangement will fix the level of the aid to flax producers at the difference between a "target" income level and the return resulting from the foreseeable market price of the product.

Rapeseed storage in France. Oilseed CAP wlil apply to new members, including Denmark (which had its own rapeseed program).

Enlargement Could Shift Consumption of Tobacco in New EC Member States

THE PRICE SUPPORT SYSTEM under the European Community's Common Agricultural Policy (CAP) for tobacco, the Common External Tariff (CXT), and the planned harmonization of excise taxes on cigarettes throughout the EC could give tobacco products made from low-cost tobaccos an increased price advantage in the markets of the new members.

The enlarged European Community will be the world's largest single area market for tobacco. The six member countries of the Community plus the four applicants together import about one-half of all tobacco moving in world trade. One of the applicants, namely the United Kingdom, is the world's largest importer of flue-cured tobacco and has been the largest single purchaser of U.S. leaf.

Annual leaf tobacco consumption in the enlarged EC is nearly 1,300 million pounds, over three-fourths of which is imported. About 33 percent of the total leaf requirements for the Community is now supplied by the United States. EC-grown leaf accounts for about 23 percent of consumption. Another 9 percent is supplied by Greece and Turkey. The Associated African States now account for about 2 percent of EC imports. Other major suppliers include Brazil, India, South Africa, Argentina, and Bulgaria.

Entrance to tobacco plant in Ireland. The "cigar store" Indian may see changes ahead for tobacco industry after EC enlargement.

Domestic policies. The European Community established a common market organization for raw leaf tobacco on April 21, 1970. Its principal features are guaranteed prices to producers higher than the prices of comparable duty-paid imported tobacco, premiums to buyers of domestic tobacco, export subsidies if needed to get rid of surpluses, and in principle, the possibility of production controls if supply conditions warrant them. The EC's CXT for unmanufactured tobacco also accords a certain amount of protection to domestic producers.

Each year prior to spring planting the EC announces standard (or target) prices and intervention (or guaranteed minimum) prices for raw leaf tobacco. Intervention prices are established at 90 percent of the standard prices.

Standard prices for the 1970 crop year were fixed at 11 to 24 percent above the 1967-69 EC producer prices, with Italian varieties benefiting the most. Standard prices remained unchanged for the 1971 crop year, but the EC has raised these prices 5 percent on the average for the 1972 crop.

Because the standard prices fixed by the EC for domestic tobacco are well above market prices for comparable tobacco from other sources, the EC grants a premium to buyers of EC leaf. This premium is calculated to offset the difference between the standard price for each variety of tobacco and the purchase price of a comparable imported tobacco. For 1972 it will probably range from 24 to 79 percent of the EC standard price, depending on variety.

The new Member States of the Euro-

Greek farmer plowing burley tobacco field. Greek burley will get preference from new EC members.

pean Community will not be required to implement the price support provisions of the EC Leaf Tobacco Marketing Order because they grow no tobacco. Purchasers of tobacco in these countries will benefit from the full buyer's premium as of February 1, 1973, however. The extent to which the buyer's premium is used in the new EC members will depend upon how much EC (mainly Italian) tobacco is available.

U.S. UNMANUFACTURED TOBACCO EXPORTS, 1971
[In millions of dollars]

Country	Value
United Kingdom	102.7
Ireland	9.3
Norway	4.0
Denmark	16.0
Total of Four	132.0
EC (Six)	162.3
Total of Ten	294.3
Other	202.5
Total world	496.8

Tariff adjustments. The EC import duty on unmanufactured tobacco from countries which are not members or Associated States is as follows: For unmanufactured tobacco valued at less than $1.38 per pound, the duty consists of a 23-percent ad valorem rate with a minimum duty of 13.8 cents per pound and a maximum of 16.3 cents per pound. For tobacco valued at $1.38 and over (in the past, mainly cigar wrapper tobacco), the tariff rate is 15 percent ad valorem with a minimum charge of 20.7 cents per pound and a maximum of 34.5 cents per pound.[1]

Most U.S. leaf is of higher quality than that of competing suppliers and goes into the EC either at the maximum duty of 16.3 cents per pound for tobacco valued at less than $1.38 per pound or at the special "wrapper" rate for tobacco valued at or above $1.38 per pound. Much of the tobacco imported from other nonmember countries (excluding those receiving duty-free preferential treatment) goes in at the minimum duty level of 13.8 cents per pound.[2]

[1] Values here and throughout this article assume exchange rates as follows: 1 unit of account = $1.08574 = £0.41667; $1.00 = £0.383772 = 0.921 units of account; £1 = $2.60571 = 2.4 units of account. Since the British floated the pound, the relationships between units of account and dollars and between units of account and pounds have not changed; but the relationship between pounds and dollars has changed.

At current market rates the exchanges are about as follows: 1 unit of account = $1.08574; $1.00 = 0.921 units of account; £1 = 2.4 units of account; 1 unit of account = £0.41667; $1.08574 = £0.40816; $1.00 = £0.37593; £1 = $2.45.

[2] By 1977 it is likely that all U.S. leaf (except stems and scrap) would be well above $1.38, and the ad valorem rate applying above that price would mean that U.S. leaf would be subject to a substantially higher tariff than its competitors.

The EC grants duty-free treatment to tobacco imported from 23 countries, several of which are or could become important producers. This treatment is accorded to Greece and Turkey by virtue of bilaterally negotiated association agreements; to 18 French-speaking African States by virtue of the Yaoundé Convention of Association signed in 1963 and renewed in 1969; and to three East African States by virtue of the Arusha Agreement signed in 1969.

In the United Kingdom, there is technically no customs duty, but a "fiscal" charge on unmanufactured tobacco imports. This charge amounts to $13.13 per pound on tobacco with a moisture content of 10 percent or more.[3]

Commonwealth suppliers receive a 20-cent preferential reduction of this charge, and for purposes of alinement with the CXT only this preferential margin will be phased out as the CXT is phased in.

After January 1, 1973, the 20-cent preference will be treated as a customs duty which must be paid by all non-EC suppliers except 20 developing Commonwealth countries (which are exempt for 2 years while new preferential arrangements are being negotiated) and Greece and Turkey (which are to be granted the same treatment as EC suppliers). Initially, this 20-cent duty will also be paid by the EC, Greece, and Turkey, but for them it will be phased down to zero in five stages beginning on July 1, 1973.

For the United States and other suppliers subject to this duty, alinement with the CXT will take place in four stages beginning on January 1, 1974. At each stage, the basic U.K. duty of 20 cents per pound will be increased or reduced as necessary by a percentage of the differences between the flat 20-cent charge and the value of the EC's CXT, which varies depending on the value of the tobacco being imported. Presumably the tariff will have to be calculated separately for each shipment of tobacco entering the United Kingdom during the transition period.

For example, on tobacco priced at $0.6001 per pound, the difference is $0.0620—$0.20 minus $0.1380. Alining the duty by 40 percent of this difference on January 1, 1974, the United Kingdom will charge $0.1752 per pound. For tobacco priced at $2.3001 per pound, the duty on January 1, 1974, will be $0.258 per pound.

The remaining fiscal charge of $12.93 will be retained on purchases of unmanufactured tobacco from any source. Until January 1, 1976, and probably longer, the U.K. Government has the right not to modify this charge if it is needed for revenue reasons.

Ireland is in a position similar to that of the United Kingdom. Ireland levies a fiscal import charge of $11.51 per pound on stripped tobacco and $11.50 per pound on unstripped tobacco. Ireland, however, does not grant preferences. It appears likely, therefore, that Ireland will retain the entire fiscal charge until January 1, 1976, and adjust to the CXT by phasing in EC duties on top of the current charges.

In Denmark and Norway, duties are now zero on unmanufactured tobacco and would have to be raised gradually to CXT levels on imports from non-EC sources.

Although the Treaty of Accession does not provide for the United Kingdom to extend preferences on tobacco to the African associates of the present EC, the Yaoundé Association Agreement is due to expire on January 31, 1975. It is anticipated that the Agreement will be renegotiated by the enlarged Community; it could provide for the introduction by the United Kingdom of tariff preferences on tobacco supplied by the Yaoundé States. By January 31, 1975, it is also expected that 20 developing Commonwealth countries, including several important tobacco producers, will have agreed upon some new form of associate status with the enlarged EC which could likewise allow them to enjoy tariff preferences on tobacco in all the Member States of the Community.

Tariff treatment of cigarettes and other manufactured tobacco products in the four new member countries must also be alined with the CXT. The EC tariff is 90 percent ad valorem for cigarettes, 52 percent for cigars and cigarillos, 117 percent for smoking tobacco, 65 percent for chewing tobacco and snuff, and 26 percent for other tobacco products.

In the United Kingdom and Ireland the duty on tobacco products is consistent with the policy of levying a high specific charge on raw tobacco imports and not levying any excise tax on manufactured tobacco products. "Fiscal"

RAW TOBACCO TARIFF ALINEMENTS

Date	Percent of present U.K. duties applied on imports from other EC countries[1]	Percent of CXT applied by EC on imports from the Four	Percent of move toward CXT by new members on imports from non-EC countries[2]
Jan. 1, 1973	100	100	0
July 1, 1973	80	80	0
Jan. 1, 1974	60	60	40
Jan. 1, 1975	40	40	60
Jan. 1, 1976	20	20	80
Jan. 1, 1977	0	0	100

[1] Denmark, Ireland, and Norway have zero duties. The United Kingdom will move to zero for other EC members. Since the new members are obligated to grant preferences on raw tobacco to Greece and Turkey, the United Kingdom will have to reduce its duty for those two countries as well, but the transition schedule has not yet been determined.

[2] Non-EC countries include African countries now receiving preferences in the EC and Commonwealth countries now receiving preferences in the United Kingdom. However, 20 of the developing Commonwealth countries will not be subject to the introduction of the CXT into the United Kingdom. EC and U.K. relations with African associates of the EC and with developing Commonwealth countries in Africa, the Caribbean, and the South Pacific are scheduled to be renegotiated before February 1, 1975. Consolidation of preferences for raw tobacco entering the enlarged EC from these areas is expected to result.

[3] The U.K. tariff also includes a charge for "other unmanufactured tobacco" which is slightly higher than that for "unmanufactured tobacco containing 10 percent or more by weight of moisture." However, this is an artificial category created by the British as a quality-control measure, and virtually no leaf tobacco enters the United Kingdom with a moisture content of less than 10 percent.

duties are assessed on the raw tobacco content of imported tobacco products at rates consistent with those charged on imported leaf tobacco. Both the United Kingdom and Ireland offer Commonwealth countries a preferential reduction of the charge on manufactured products, and this preferential margin will probably be used as the basic duty for purposes of alinement with the CXT. Denmark and Norway have specific duties on manufactured tobacco products, which would be alined in full with the CXT.

By July 1, 1977, the basic specific duties in all four countries will have to be converted to an ad valorem basis. There is nothing in the Treaty of Accession which provides that this must be done before that time, however. In the event that the Four choose not to apply ad valorem duties to manufactured tobacco products until the deadline, alinement will involve calculation of the tariff at both EC and new member country rates, and reduction of the differences between the two by the appropriate percentages in order to arrive at a single rate each time a shipment passes through customs.

Excise taxes. Until July 1971, Germany, the main import market in the present EC, had a specific excise tax on cigarettes while the other five EC Member States all imposed ad valorem taxes. Under a first-stage directive which took effect at that time, there must now be a specific excise tax in every Member State not lower than 5 percent nor higher than 75 percent of the total excise taxes on cigarettes. This resulted, in the case of Germany, in a tax with an ad valorem component of 25 percent. Although the second stage was earlier scheduled to go into effect on January 1, 1974, EC determinations have not yet been made regarding the proportion of the two components to be adopted at that time, nor what the proportions will be once excise taxes are uniform.[4]

Burley processing plant near Naples. Italy is a main EC tobacco producer.

Although the uniform taxation system envisaged by the EC calls for an end-product tax, the United Kingdom and Ireland do not have to abolish the fiscal charge on raw leaf before January 1, 1976. The United Kingdom may retain its fiscal duty on tobacco for an additional 2 years if it has not been possible to introduce an internal tax on manufactured tobacco products and harmonize it with those of the other EC members by that date. Ireland did not negotiate such an extension but hopes to obtain one. In moving toward an end-use tax assessed in part on the retail price of cigarettes rather than on tobacco content, both the United Kingdom and Ireland will try to design the tax so as not to reduce their revenue. Neither country now levies any excise tax on manufactured tobacco products, although a general 5-percent sales tax applies in Ireland. This will be replaced by a 10-percent value-added tax on November 1, 1972.

The existing excise tax in Denmark is about one-third specific and in Norway, entirely specific. Norway would probably have to introduce a 25-percent ad valorem component upon entry. Both countries already levy value-added taxes—15 percent in Denmark and 20 percent in Norway.

[4] Since the EC is being enlarged, it is likely that the second stage will not go into effect on the date scheduled and final harmonization may not be completed by 1980.

BRITISH IMPORT CHARGES ON RAW TOBACCO BEFORE AND AFTER EC ENTRY

[In dollars per pound]

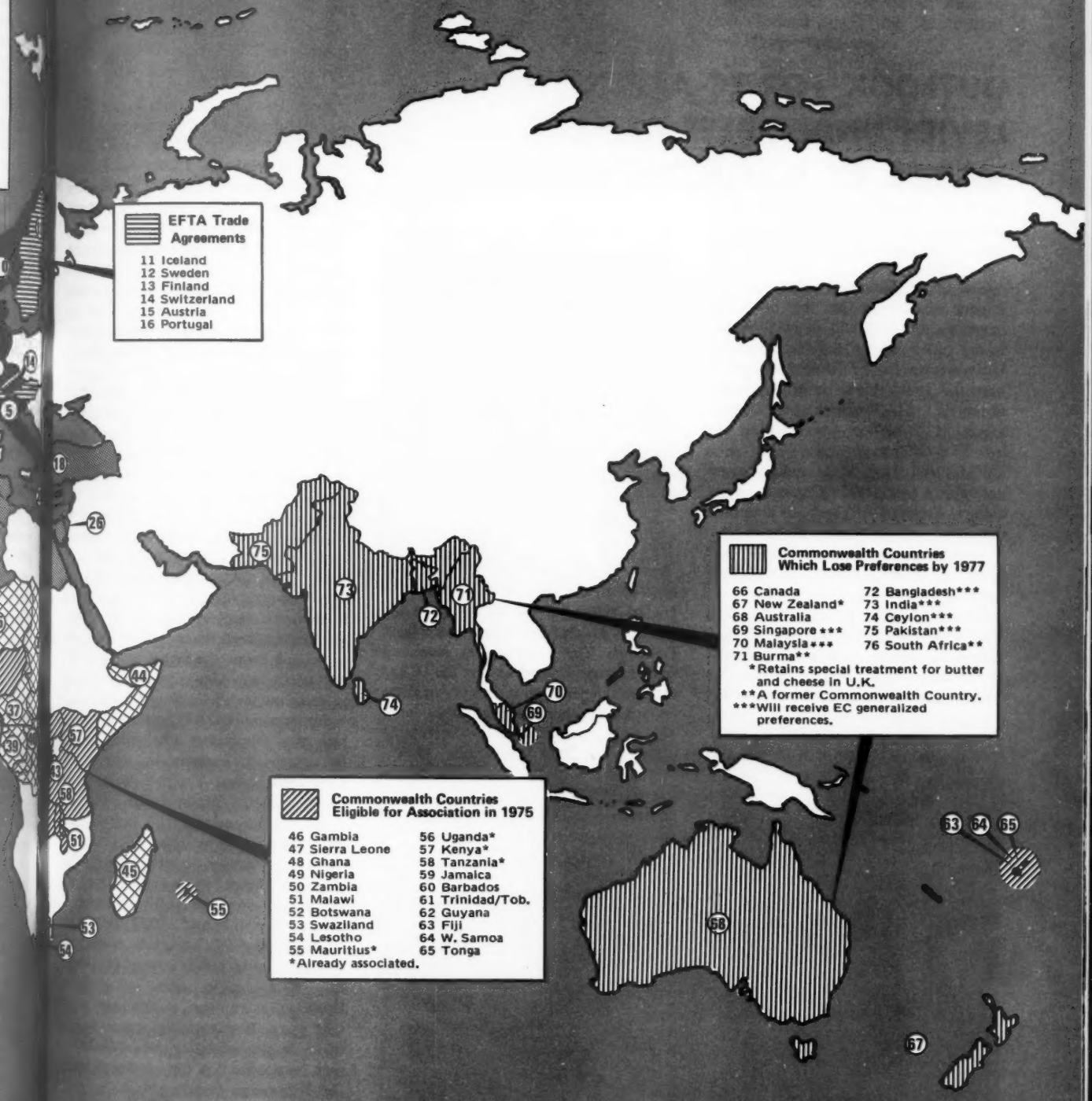
C.i.f. price	Before entry			After entry		EC Common External Tariff	
	Full fiscal charge [1]	Preferential fiscal charge	Preferential margin	Fiscal charge	Customs duty [2]	On tobacco valued at less than $1.38/lb.	On tobacco valued at more than $1.38/lb.
0-0.6000	13.13	12.93	0.20	12.93	0.20	0.1380	—
0.6001-0.7087				12.93	.20	[3].1380-.1630	—
0.7088-1.3800				12.93	.20	.1630	—
1.3801-2.3000				12.93	.20	—	[4] 0.2070-0.3450
2.3001 or more				12.93	.20	—	.3450

[1] On tobacco with a moisture content of 10 percent or more by weight. [2] This flat specific charge will be alined with the EC's CXT in four stages beginning Jan. 1, 1974. [3] I.e., 23 percent ad valorem. [4] I.e., 15 percent ad valorem.

EC 10
Original Members:
1 Netherlands
2 Belgium
3 Luxembourg
4 France
5 Italy
6 Germany (West)
New Members:
7 Ireland
8 United Kingdom
9 Denmark
10 Norway
Mediterranean Agreements
17 Greece
18 Turkey
19 Cyprus*
20 Malta
21 Tunisia
22 Algeria*
23 Morocco
24 Spain
25 Lebanon*
26 Israel
27 Egypt*
*Under negotiation
Yaoundé Convention*
28 Mauritania
29 Senegal
30 Mali
31 Upper Volta
32 Ivory Coast
33 Togo
34 Dahomey
35 Niger
36 Chad
37 Cameroon
38 Cent. Afr. Rep.
39 Gabon
40 Congo
41 Zaire
42 Rwanda
43 Burundi
44 Somali Rep.
45 Malagasy Rep.
*To be renegotiated with enlarged EC by 1975.

The Enlarged EC and Its Preferential Arrangements

(STATUS AS OF JANUARY 1, 1973)



OUTLOOK FOR EC-APPLICANT LEVIES UNDER BEEF CAP VARIES BY COMMODITY

The United Kingdom is the principal import market among the new EC members for beef and other products in the cattle sector. In 1971, the main U.S. exports to the United Kingdom were hides and skins (including sheepskins, etc.), $14.8 million; beef variety meats, $11.8 million; and inedible tallow, $4.6 million.

Hides and skins. Hides and skins are not subject to the EC's Common Agricultural Policy (CAP) and are imported duty free into both the EC and the United Kingdom. There will therefore be no change in import treatment when the United Kingdom joins the EC.

Variety meats. Variety meats are also now admitted duty free into the United Kingdom, but will become subject to duties of 14 percent ad valorem on liver and 12 percent on tongues and other variety meats under the EC tariff. The United Kingdom will raise its tariff to these levels on imports from non-EC sources in five equal steps, on April 1 of each year from 1973 to 1977. At the same time, the six original EC members will reduce their tariff to zero on imports of variety meats from the new members. The schedule of tariff changes is (in percent):

Date	U.K. duty towards EC	U.K. duty towards non-EC	EC duty towards Four
Jan. 1, 1973	0	0	12.0-14.0
Apr. 1, 1973	0	2.4- 2.8	9.6-11.2
Apr. 1, 1974	0	4.8- 5.6	7.2- 8.4
Apr. 1, 1975	0	7.2- 8.4	4.8- 5.6
Apr. 1, 1976	0	9.6-11.2	2.4- 2.8
Apr. 1, 1977	0	12.0-14.0	0

In 1970, the Six imported $27.2 million of beef variety meats from the United States and $2 million from the Four, of which $1.4 million came from Denmark. The potential for increased trade in variety meats among the 10 EC members depends on the ability of these countries to increase beef production. At present, consumption is increasing more rapidly than production.

Tallow. In the case of inedible tallow, the United Kingdom must reduce its 10-percent duty to zero on imports from all sources. The schedule of duty reductions is as follows (in percent):

Date	Duty for EC	Duty for non-EC
July 1, 1973	8	10
Jan. 1, 1974	6	6
Jan. 1, 1975	4	4
Jan. 1, 1976	2	2
July 1, 1977	0	0

Beef. The United Kingdom alone accounts for around 14 percent of world imports of fresh, chilled, and frozen beef and veal. In 1971, the United Kingdom imported 253,000 metric tons of beef and veal, of which 42 percent came from Ireland, less than 1 percent from Denmark and Norway, 11 percent from the Six (mainly France), 19 percent from certain Commonwealth countries for whom duties were zero (Australia, New Zealand, and South Africa), and the rest from other nonpreferred suppliers (Argentina, 15 percent).

The United Kingdom has a duty of 5 percent on imports without bone and a small specific duty (less than 1 cent per lb.) on imports with bone in, except that duties are zero on imports from Commonwealth countries. On July 3, 1971, the United Kingdom instituted a system of general variable levies to support minimum import prices for imports from sources other than Ireland. The minimum import prices are related to domestic target prices for fat cattle and are imposed when average market prices fall below the target prices. U.K. producers are guaranteed the target price through deficiency payments.

Imports under the EC system are subject to a 20-percent duty, which may be suspended, however, in periods of very high prices. Variable levies may apply on top of import duties.

Orientation prices. The key to the EC system is the "orientation" price for cattle and calves—approximately 38 cents per pound for cattle and 48 cents per pound for calves (live weight)—starting September 15, 1972. Beef and cattle prices on EC markets are keyed to these levels. When market prices drop to a specified point below these levels, Government purchasing may take place. If imports are priced below these levels, offsetting variable levies may be applied (on top of duties), provided domestic market prices are near or below orientation price levels. As domestic market prices rise, Government purchases cease and levies are re-

U.S. EXPORTS OF SELECTED LIVESTOCK PRODUCTS TO EC APPLICANTS, 1971

[In thousands of dollars]

Product	United Kingdom	Ireland	Denmark	Norway	Total
Hides and skins	14,792	35	227	101	15,155
Beef tongues	7,691	—	—	—	7,691
Other beef variety meats	4,125	—	—	38	4,163
Tallow	4,561	246	—	668	5,475
Beef, fresh, frozen	610	1	15	—	626
Veal, fresh, frozen	29	—	—	—	29

Australian cattle on way to railhead. Australia now has duty-free status for its beef in Britain; this preference will disappear.

duced or even eliminated. Special provisions permit importation of frozen beef for processing with reduced or zero levies (within quotas).

Import prices heretofore have been calculated from a weighted average of British, Danish, Irish, and Austrian cattle prices plus transport costs to the EC. For the 10-member EC, import prices will be the lowest adjusted c.i.f. offer price. An orientation price, still to be negotiated, will be fixed for each new EC member. Levies, however, will be calculated as the difference between the lowest offer price and the orientation price for the Six. It is not yet clear whether this will mean higher or lower levies for the Six than those imposed under the current system.

Tariff, price, and levy adjustments. On imports from third countries, the United Kingdom and other new members will adjust their tariffs to the EC level in five equal steps on April 1 of each year from 1973 to 1977. Old and new members will remove any duties on imports from each other according to the same schedule. Developed Commonwealth countries (such as Australia, New Zealand, and South Africa) will lose their duty-free status in the United Kingdom on February 1, 1973.

Orientation prices, not yet set for the new members, will be below the EC level, at least for the United Kingdom. The difference between orientation prices in the United Kingdom and the Six, minus the applicable import duty, will be applied to trade between the United Kingdom and the Six. For example, on imports from the Six, the United Kingdom will impose its import duty (which declines according to the schedule cited), and the Six would pay a subsidy equal to the price differential minus the U.K. duty. The price differential, in turn, will be reduced in six steps on the same dates as for duty reductions but with the sixth step scheduled for January 1, 1978.

New Zealand freezing plant. New Zealand too will lose its Commonwealth preference in the U.K. market.

Special rules cover British imports from Ireland under the Anglo-Irish Free Trade Agreement.

On imports from non-EC sources, the United Kingdom will collect its import duty, plus any variable levy imposed by the Six, minus the price differential between the United Kingdom and the Six, provided the latter is no bigger than the levy. During periods of high world prices, like the present, the price differential very likely will be bigger than the levy. In this case, one could speculate that the price differential will be reduced to the amount of the levy, but the Accession Treaty merely specifies that "appropriate measures will be decided." In other words, technically and under today's conditions, there are no definite rules on how to calculate the sum of duties and levies payable on British beef imports from outside the EC.

A similar problem exists for imports by the Six from new members. If, for example, Germany wants to buy beef from Ireland next February, German importers should pay the EC duty plus the EC-Irish price differential. This sum, however, could be higher than the EC duty plus the levy charged on imports from outside. If this happens, "appropriate measures" can be expected.

CALCULATION OF BRITISH IMPORT CHARGES ON CATTLE

[In U.S. cents per pound]

Item	If world price is 25 cents		If world price is over 38 cents	
	Imports from Six	Imports from non-EC	Imports from Six	Imports from non-EC
February 1, 1973:				
U.K. duty	0	0	0	0
Plus EC levy	—	13.0	—	0
Minus U.K.-Six price differential	—	10.0	0	10.0
Total charges	0	3.0	0	([1])
April 1, 1973 (first alinement):				
U.K. duty	0	[2]0.8	0	[3]1.2+
Plus EC levy	—	13.0	—	0
Minus U.K.-Six price differential	—	9.4	—	9.0
Total charges	0	4.4	0	([4])

[1] Zero unless the Six insist on a margin of "Community preferences." [2] 20 percent of CXT (16 percent ad valorem). [3] 1.2 cents per lb. unless the Six insist on a margin of "Community preference."

EC Pork CAP Will Mean Revised U.K. Lard Import Policy

Danish pork ready to market. Danish exports will benefit from the EC's pork CAP when Denmark enters.

BRITISH ADOPTION of EC pork regulations and the grain price changes recently agreed to by the United Kingdom, Ireland, and Denmark will affect variable levies and export subsidies on lard and other pork products under the Common Agricultural Policy (CAP) for the enlarged EC.

In 1971 the United Kingdom was the largest importer of pork products among the new EC members and the sole market for U.S. lard in these countries. Sales of lard to the United Kingdom by the United States in that year amounted to $26 million, approximately four-fifths of all U.S. lard exports. The United States competes with the Six—primarily with the Netherlands—in this market.

Both the United States and the Six subsidize lard exports to the United Kingdom. The Community subsidy, which was 1.9 cents per pound throughout 1971, has been increased in 1972 to 2.1 cents and since dollar devaluation to 3.3 cents per pound.

(Also, exports of lard from the Netherlands to the United Kingdom receive an additional subsidy of 0.4 cent per pound, paid by the Dutch Government, to adjust for currency differences. Prior to May 1972, the figure had been 1.5 cents per pound. This currency adjustment subsidy has been in effect since May 1971.)

The subsidy to be adopted by the Six on exports to the United Kingdom starting February 1, 1973, probably will be around 3.5 cents. In addition, the United Kingdom, which now admits lard duty free from all sources, will start imposing a levy of about 1.3 cents on lard from non-EC sources.

Basic changes needed by new members. These changes for lard derive from the EC pork regulations which govern lard. In changing to the pork CAP, the United Kingdom, Denmark, and Ireland must give up the pork support programs they now have on February 1, 1973. Norway would adopt the pork CAP on that date but would continue present programs for 3 years.

At present, the United Kingdom encourages domestic pork production through a system of guaranteed prices and production grants. The Danish home market scheme for pork production operates through levies on sales of all pigmeat to the home market, the revenue from these levies being distributed as an additional payment to all big producers. Ireland maintains a system of floor prices. Production in Norway is regulated through periodic price and policy agreements negotiated between the Government and producer organizations.

The Common Agricultural Policy for pork provides for market intervention purchases of pork when prices are low, levies and supplementary levies on imports, and subsidies on exports.

EC intervention agencies may buy pork at a purchase price between 85 percent and 92 percent of a base price. The latter, which will be 41 cents per pound (carcass weight) for the marketing year beginning in November 1972, is roughly equivalent to the minimum price (gate price) for imports of hog carcasses, plus the variable import levy. Intervention does not guarantee pork prices as it does under the British system, however. Export subsidies, like those for lard, are therefore a basic instrument of domestic price support. Intervention agencies may also grant subsidies for private storage of pork.

VARIABLE LEVIES will replace import duties on pork products for the new members from February 1, 1973. Two kinds of levies may be required:

First of all, there is a basic variable levy which is calculated every 3 months as the difference in the cost of feedgrains inside and outside the Community assumed to be used in producing the quantity of pork imported, plus an additional fixed margin of protection.

Second, there is a supplementary levy imposed whenever the c.i.f. offer price of imports falls below a minimum gate price, which in turn is calculated every 3 months in relation to alleged reasonable costs of production in third countries. Basic levies and gate prices are established for hog carcasses and derived for other products according to the "normal" price relationships in the Six between hog carcasses and the other products.

In establishing the levies and gate prices for the new members, therefore, it may first be assumed that gate prices —which are supposed to represent third-country production costs—will be the same for new members as for the Six from the outset. Gate prices, therefore, should be applied uniformly by all the EC members from February 1, 1973. Gate prices would apply, however, only to imports from third coun-

tries, not to trade among new members or between them and the Six.

In trade between the United Kingdom, Ireland, Denmark, and the Six, fixed amounts will be imposed on imports or paid on exports on the basis of the calculated difference in their feedgrain costs. Feedgrain cost differences for these three new members were decided in July 1972 (see page 7). These cost differences—weighted by the percentage of each grain in the ration and multiplied by the feed conversion ratio—should determine the amount to be collected or paid on hog carcasses in intra-Community trade. There will be no extra margin of protection as in levies toward third countries.

This difference in feed ration cost, then, will be assessed on imports when the importing EC member has higher feedgrain prices than the exporting member. If the importing member has lower feedgrain prices, no charge will be made on imports, but the feedgrain cost differential will be paid as an export subsidy by the exporting member.

Norway, whose prices are higher than those in the Six, would follow a simpler procedure. Norway would establish a price differential between pork products in Norway and in the Six, and then collect this differential in imports from the Six and pay it on exports to the Six. On imports from Denmark, Norway would collect the Norway-Six price differential, plus the Six-Denmark feedgrain cost differential.

FORECAST CHANGE IN PRICE ADVANTAGE FOR DUTCH LARD

[In cents per pound]

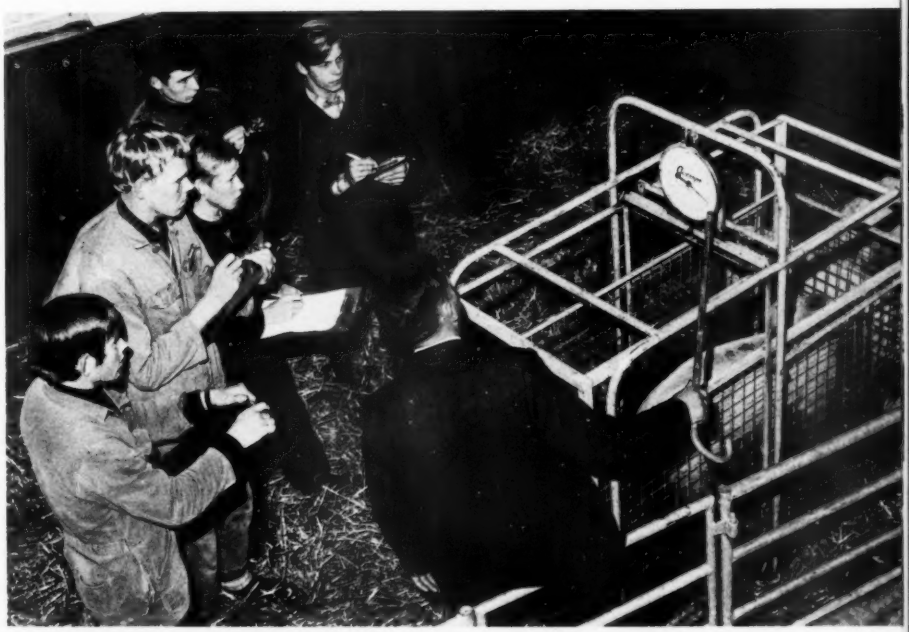
Item	August 1972	February 1973
British import charges on:		
Dutch lard	0	0
U.S. lard	0	1.3
EC subsidy	3.3	3.5
Dutch subsidy	.4	.4
Total	3.7	5.2
Dutch advantage	—	+1.5
Minimum (gate) price on:		
Dutch lard	0	0
U.S. lard	0	10.2

Note: On lard for industrial use, maximum import charges are based in GATT at 3 percent ad valorem. Most British imports of lard are for food use.

Liquid lard is pumped from road tanker into British storage tanks. Britain will change its lard import system upon EC entry.

On trade with third countries, the Four would collect variable levies equal to the levies applied by the Six (including the protective element), minus their feedgrain cost differential with the Six. For example, if world feedgrain prices at August 1, 1972, levels are assumed in the calculation, the full EC levy on lard on February 1, 1973, would be about 4.8 cents per pound. The U.K.-Six feedgrain cost differential on lard would be about 3.5 cents per pound, and the U.K. levy on U.S. lard would therefore be about 1.3 cents per pound. As already noted, the EC will pay the 3.5 cents difference on exports to the United Kingdom.

Feedgrain price differentials between old and new members will be phased out in six proportionally equal annual steps starting August 1, 1973, with the final step, however, taking place January 1, 1978. At that time there will be no more import charges or export subsidies on trade within the EC; all members will have the same levies and subsidies toward third countries. To return to the lard example, the U.K. levies on non-EC lard will rise as EC subsidies on lard shipped to the United Kingdom decline. In the meantime, non-EC countries can no longer effectively use export subsidies to enter the U.K. market, because supplementary levies will be applied when imports are offered at a c.i.f. price less than the gate price.



Dutch youngsters test pig weights in vocational training. The Netherlands is the principal exporter of lard in the six original EC countries.

Problems for New Members in Adjusting to Community CAP On Fruits and Vegetables

Canadian apple grades. Canada will lose duty-free status for its apples in the EC next year.

Adoption of the Common Agricultural Policy (CAP) on fruits and vegetables would mean numerous complicated changes for the United Kingdom, Denmark, Ireland, and Norway. In 1971, these countries bought $55 million of fruits, nuts, vegetables, and their preparations from the United States. (See table on page 24.)

The prospective European Community (EC) members generally do not employ direct price support measures for fruits and vegetables, but tariffs and particularly quantitative restrictions have been employed to help maintain producer incomes. Producer prices in a number of cases are higher in the Four than in the Six.

In adopting the CAP, the Four must raise tariffs on many of their imports. Quantitative restrictions must be removed, in principle, on February 1, 1973, but there are important exceptions. The CAP still permits national quantitative restrictions on all processed fruits and vegetables and on certain fresh produce in specified seasons: Lettuce, endives, beans, melons, table grapes, tomatoes, artichokes, and apricots. In addition, the United Kingdom is authorized to retain the dollar area quotas it imposes on grapefruit until January 31, 1975.

Harvesting oranges in Morocco, which is a major supplier of this fruit for the European Community.

Where quantitative restrictions must be removed, their removal is likely to be offset by duty increases, special levies (see discussion on apples), reference prices, or escape clause actions under EC regulations.

The CAP for fresh fruits and vegetables provides for reference prices to be fixed seasonally—sometimes year round—for the most important fruits and vegetables: Oranges, tangerines and similar citrus fruit, lemons, grapes, apples, pears, peaches, cherries, plums, and tomatoes. When import prices fall below the reference price, a compensatory tax is imposed to offset the difference.

Escape clause procedures under the CAP include, in particular, restrictive licensing in periods of surplus. Further amendments to the CAP now being proposed will, if adopted, probably lead to greater use of import surtaxes and embargoes.

Norway would have the right to apply minimum prices below which countervailing charges may be imposed on imports from any source. For products intended for processing, this charge may be suspended. Norwegian-grown products intended for processing may benefit from a refund corresponding to the amount of the countervailing charge.

Illustrations of what may be expected are discussed for several important products:

Dried beans. Primary market for U.S. dried beans among the new EC members is the United Kingdom, which bought $10.6 million from the United States in 1971.

Alinement on the Common External Tariff (CXT) towards third countries starts on January 1, 1974, on which date the United Kingdom will probably adopt the full CXT rate of 4.5 percent, since there is less than a 15-percent difference between U.K. and EC duty rates. For the other new Member States (who will have duty-free rates), a 40-percent adjustment to the CXT will take place on that same date followed by 20-percent adjustments on January 1, 1975 and 1976, and on July 1, 1977.

Britain must eliminate its present duty on imports from the other EC members and vice versa. This will be done in five equal steps starting on July 1, 1973. The next three steps are on January 1, 1974, 1975, and 1976. The final step is on July 1, 1977.

Almonds. In 1971, the United States sold almonds not only to the United Kingdom ($700,000), but also to Norway ($1.9 million) and Denmark ($700,000). Ireland imported $97,000 of U.S. almonds in 1971. In all of these countries, duties will increase on imports from third countries.

Almonds are now duty free on imports into the United Kingdom, Denmark, and Ireland. In Norway, there is a small specific duty—equivalent to about 0.4 percent ad valorem on the basis of average 1970 import values. When the first reduction of duties toward the Six is due—on January 1, 1974 (alinements are different for CAP produce like almonds than for non-CAP produce like dried beans)—this duty may be dropped completely on that date on imports from other EC members. Imports by all new EC members will then continue duty free for imports from the Six and each other.

On imports from third countries, however, the new members must aline their tariffs on the CXT, which is 7 percent ad valorem. The alinement begins on January 1, 1974, with a 20-per-

cent reduction in the difference between the EC and new-member rates. Subsequent reductions of equal amounts will be made on January 1, 1975, 1976, 1977, and 1978.

Italy is an important exporter of almonds, although most exports now go to Switzerland, Austria, and East Europe. Italy receives an export subsidy from the EC, currently around 6 cents per pound. The new Member States will be eliminated as eligible designations after February 1, 1973. Italian exports to the Four in 1970 totaled $156,000.

Raisins. U.S. exports of raisins in 1971 totaled $3.8 million to the United Kingdom, $1.3 million to Denmark, $700,000 to Norway, and $300,000 to Ireland.

In Ireland the present specific duty is about 17 percent—based on average 1970 import values—while the CXT is just 6 percent. Irish alinement on the CXT then means a reduction of duties on imports from third countries—to 6 percent. However, Ireland must reduce its duty to zero on imports from the Six. Ireland must also adopt EC preferences which will mean duty-free access on imports from Greece and Turkey, major suppliers of raisins, and imports from Spain.

The United Kingdom now has a specific duty of about 3 percent. In Denmark and Norway, duties are zero. All of these countries must grant duty-free treatment to imports from each other, the Six, Greece, Spain, and Turkey; and must raise duties to 6 percent on imports from other non-EC suppliers.

The schedule for both internal duty reductions and alinement on the CXT begins with a 20-percent change on January 1, 1974, and continues each year to January 1, 1978.

Oranges. For oranges, the situation is somewhat more complicated. Of the four applicant countries, the United Kingdom was the most important market for U.S. oranges in 1971 ($775,000), Norway second ($320,000), and Denmark third ($171,000). U.S. exports to Ireland were very small ($7,000).

In Denmark and Ireland, oranges are admitted duty free. Norway has a specific duty approximating 1 percent ad valorem. The United Kingdom charges 4 percent on oranges imported from April 1 through November 30 and 5 percent the rest of the year. U.S. oranges are shipped mainly from April to October.

The European Community has a different seasonal division of its tariff schedule and has different preferential tariff rates for orange-exporting countries in the Mediterranean, namely, Greece, Turkey, Spain, Israel, Morocco, and Tunisia. Egypt, Cyprus, and Lebanon may also be receiving preferences.

On imports from third countries, the EC charges 15 percent from April 1 through May 31. For 1972 and 1973 only, the EC has reduced its June 1 to September 30 rate from 15 percent down to 5 percent. From October 1 to October 15, the rate is again 15 percent, and for October 16 to March 31, 20 percent. Imports from Turkey, Spain, and Israel are charged 60 percent of these rates. Imports from Morocco and Tunisia are charged 20 percent of these rates, and imports from Greece are duty free.

The new EC members must raise duties to the CXT on imports from third countries, eliminate duties on imports from the Six, and reduce duties to the preferred rates on imports from the Mediterranean countries mentioned.

Elimination of duties toward the Six and alinement on the CXT is scheduled in five equal annual steps starting January 1, 1974. The schedule for reduction of duties toward Mediterranean suppliers remains to be negotiated. Moreover, the preferred rates for Mediterranean suppliers are often higher than the present rates in the new EC members. Faced with duty increases in spite of their preferences, some of these countries are seeking to renegotiate to obtain more favorable preferential rates.

Apart from tariff changes, the EC also uses reference prices as protection against low-priced imports except during certain summer months.

Apples. U.S. exports of apples to the Four totaled $1.2 million in 1971, most of which went to the United Kingdom.

Based on 1970 average import values, duty rates in the United Kingdom are around 4 percent ad valorem during the April-December period, and free at other times. Commonwealth suppliers have duty-free access all year. The most important of these—Canada, New Zealand, Australia, and South Africa—will lose this preferential status

Turkish villagers sorting and stemming raisins. New members must adopt the EC 6 preferences now granted to Turkey and other Mediterranean countries.

on February 1, 1973.

In addition, the United Kingdom imposes a global quota on imports from all sources except the sterling area. The quota is divided into two periods, with the smaller portion allocated to the July-December period. This quota will be eliminated on February 1, 1973.

Under the CAP which the United Kingdom will adopt, the CXT is 10 percent from January 1 to March 31, 8 percent from April 1 to July 31, and 14 percent from August 1 to December 31. The duty rate will continue at zero for EC countries during the January-March period and will be reduced eventually to zero for the remaining period. There will be no important preferential suppliers. The tariff alinement to the CXT will be made in five equal annual steps from January 1, 1974, to January 1, 1978. The United Kingdom could, however, with EC Commission approval, aline at a faster rate to make up for lost quota protection.

While the EC system does not permit quotas, it does provide reference prices as described earlier. Reference prices have been fixed for 1972-73 for only July-January, since beginning February 1, 1973, reference prices will apply to the new Member States and must be calculated in part from their market prices. Reference prices for the variety group including Golden Delicious have been fixed as shown below (in U.S. cents per lb.): [1]

July	7.0
August	5.4
September	5.9
October	6.0
November	6.3
December	6.6
January	7.1

The Accession Treaty between the Four and the Six further provides that if a new member has to give up a quantitative restriction and if producer prices in the new member are higher than "base prices" in the EC on a given product, the new member may collect the difference as a special levy on imports of that product from all sources (EC and non-EC).

Base prices are fixed by the EC each year for oranges, tangerines, lemons, grapes, apples, pears, peaches, tomatoes, and cauliflower. Heretofore, they have been computed from 3-year average EC market quotations in surplus (low-priced) areas. They serve as a basis for setting the price at which EC member Governments may buy produce off the market to help stabilize the market price. Base prices also vary during the season and are adjusted for different varieties. Producer prices in the United Kingdom for apples appear to be above EC base prices; hence, special levies may be applicable.

Base prices are normally fixed for the months of August through May or June. For 1972-73, they have been fixed so far only for August through January (in U.S. cents per lb.): [1]

August	4.8
September	4.8
October	4.8
November	4.9
December	5.3
January	6.0

Beginning February 1, 1973, base prices will apply also to the new members and must be calculated in part from their market prices. If, however, the proposed revisions in the CAP, referred to earlier, are adopted, base prices will be negotiated by the Ten without relation to past market price levels. If new base prices are higher, they could lead to more frequent Government purchasing and use of escape clause provisions to restrict imports.

Canned peaches. The new Member States must also aline to the EC's duty and levy system on canned fruits. The United States has a trade of over a half million dollars in canned peaches with the Four (principally Norway).

The EC applies a high ad valorem duty on canned fruits (22-24 percent as compared with 6 percent in the United Kingdom) plus a levy on the added sugar content. This levy is derived from the difference between the price of sugar inside and outside the Community. The rate of the sugar-added levy is currently approximately 4.6 cents per pound applied to the added sugar content, which is almost impossible to predict.

All new members except Ireland must substantially raise their duties to aline on the CXT, while EC canned fruit will receive duty-free access. To make this alinement, they must determine what part of their present tariff is for protection of the canning industry and what part, if any, compensates for high sugar costs. The latter part must be replaced by the sugar-added levy.

One alternative would be to use the entire present tariff rate as a starting point for alinement to the 22-24 percent CXT rate and assume there was no previous protection for sugar. The sugar-added levy as calculated by the EC then would begin to be applied on top of the duty.

Preferences for certain Commonwealth suppliers, including Australia and South Africa, will be eliminated.

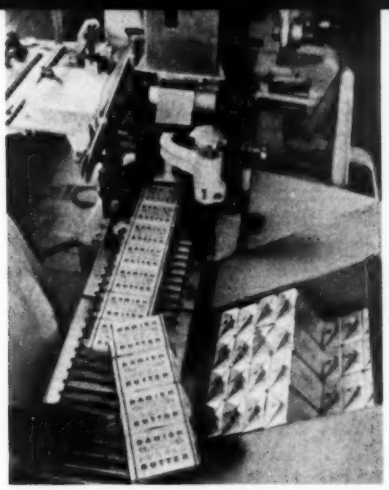
KEY U.S. FRUIT AND VEGETABLE EXPORTS TO THE FOUR EC APPLICANTS, CY 1971

[In thousands of U.S. dollars]

Commodity	United Kingdom	Ireland	Denmark	Norway	Total
Dried beans	10,580	166	0	2	10,748
Almonds	3,899	97	743	1,907	6,646
Raisins	3,814	318	1,285	676	6,093
Prunes	1,910	77	1,457	785	4,229
Dried peas and lentils	3,221	0	75	161	3,457
Dehydrated vegetables	1,939	115	319	105	2,478
Concentrated orange juice	1,261	0	107	513	1,881
Fresh oranges	775	7	171	320	1,273
Fresh apples	988	49	29	165	1,231
Fruit cocktail	616	1	67	293	977
Canned pineapples	762	12	74	113	961
Fresh lemons	274	7	350	240	871
Walnuts	442	9	216	146	813
Canned asparagus	420	3	319	63	805
Fresh grapes	483	6	41	146	676
Canned peaches	63	0	171	326	560
Other	8,255	801	1,848	557	11,461
Total	39,702	1,668	7,272	6,518	55,160

[1] Prices shown are approximate due to exchange rate changes.

EC Membership Will Mean Higher Prices for Dairy Products In Britain and Ireland



Danish butter exports to Britain will increase after transition.

ENTRY INTO THE European Community (EC) will increase prices of manufactured dairy products in the United Kingdom and Ireland. Higher prices could boost production of milk and reduce consumption of dairy products in these countries. Butter consumption in the United Kingdom, in particular, could decrease.

Because prices of dairy products in Norway and Denmark are already relatively high, changing to EC prices should have only a small effect on consumption there; but, with unlimited support under the Common Agricultural Policy, production would be likely to go up.

The original six countries of the EC already have a dairy surplus, as do three of the four applicants. Exposure to EC prices will likely increase production in Denmark and Ireland and might in Norway somewhat also. Their increased output, plus that of the Six, could be drawn to the United Kingdom.

In recognition of New Zealand's dairy arrangement with the United Kingdom, New Zealand has been granted a special transitional arrangement for exports of butter and cheese to the United Kingdom. Under this arrangement, butter and cheese can be imported by the United Kingdom from New Zealand at a special low concessional levy for these quantities (in metric tons):

Date	Butter	Cheese
1973	165,811	68,580
1974	158,902	60,960
1975	151,994	45,720
1976	145,085	30,480
1977	138,176	15,240

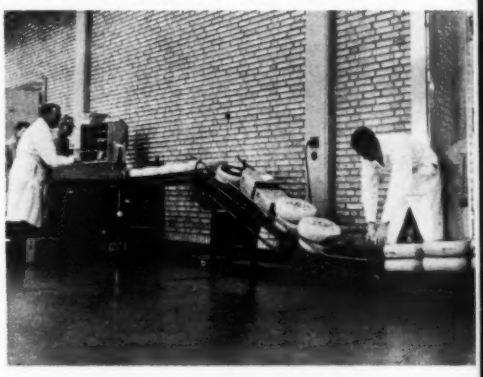
These special levies will span the difference between the c.i.f. prices guaranteed by New Zealand and prices fixed for the marketing of EC butter and cheese in the United Kingdom. The addition of the normal levy to the c.i.f. price would make New Zealand butter and cheese noncompetitive with EC sales of these products in the United Kingdom.

Price relationships between milk and manufactured dairy products such as skim milk powder and butter are different in each new member country. Transition to the price relationships of the Common Market will therefore affect the aggregate production of milk in the new countries, its distribution among the various dairy products, and finally their consumption.

This will be an important consideration for the new members when they choose their pretransition price levels to replace domestic programs on February 1, 1973. Account must be taken not only of the support level from which they choose to begin alinement, but also the rate at which they are willing to change their production and use patterns.

Several exceptions to the basic regulation for transition to the Dairy CAP take account of problems resulting from changes in price relationships. Ireland may grant a direct subsidy on the consumption of butter so that the price paid by the consumer can be progressively adjusted to that paid in the Six. The subsidy will be eliminated in six stages. Lastly, Denmark may retain until December 31, 1977, the exclusive milk supply licenses which existed in certain areas at the date of its accession to the Common Market.

Ireland, now about self-sufficient in dairy products, may increase output.



Norwegian cheese would still benefit from national programs.

ENLARGEMENT WILL MODIFY MARKETING PRACTICES FOR SUGAR IN NEW MEMBERS

THE ENTRY OF THE United Kingdom and the other applicant countries into the European Community (EC) next year is likely to cause shifts in the pattern of world trade in sugar.

Sugar exporting countries which have sold to the United Kingdom at higher-than-world-market prices will—once certain temporary provisions have expired—have to sell at world market prices unless some new arrangement can be negotiated. Production quotas and arrangements for Commonwealth sugar will be renegotiated in 1974 in the light of market conditions at that time.

EC SUPPORT PRICES FOR SUGAR AND SUGARBEETS, 1972-73

[In U.S. dollars per metric ton]

Commodity	Price [1]
White sugar:	
Target price (for French surplus zone)	266.54
Basic intervention price	253.40
Threshold price	293.68
Raw sugar:	
Intervention price (for French surplus zone)	215.51
Threshold price	257.64
Beets:	
Minimum price within quota	19.20
Minimum price over quota [2]	11.29

[1] Prices shown are derived from data in "units of account" at UA 1.00 = US $1.0857. Current exchange rates for EC currencies vary somewhat from these values. [2] For production of sugar above the basic quota but within the 135-percent maximum quota.

The Common Agricultural Policy (CAP) for sugar, which the Four will be adopting starting February 1, 1973, combines a system of support prices, variable levy protection against imports, and export subsidies with a form of production control.

The EC sugar CAP provides for a target price for white sugar which is set at a level to provide a profitable return to producers in the zone of greatest surplus, northern France.

The intervention price, or the floor at which sugar is purchased by government intervention agencies, is 5 percent below the target price. The guaranteed price for sugarbeets is fixed by calculating back from white sugar.

A threshold price, or minimum import price, is fixed equal to the target price plus freight from the greatest surplus area to the most distant deficit area, thus permitting Community sugar to be marketed at the target price in that most distant area. At present Palermo, Sicily, is considered the most distant deficit area.

Imports are subject to a variable levy equal to the difference between the threshold price and the lowest adjusted c.i.f. offer price.

Export subsidies are paid to cover the difference between Community prices and world market prices and may be varied according to country of destination.

The EC sugar CAP further includes certain provisions for temporary production quotas which are to be retained until July 1, 1975, when a more permanent system is to be established. These provisions set basic quotas for each Member State and allow each to allocate a basic quota to every sugar-producing factory or enterprise in its territory.

For 1973-74 the total of basic sugar quotas in the enlarged EC will be 7.82 million tons of refined sugar. Of this, 6.48 million tons are apportioned to the original Six (the same as their present quotas), and the balance to the new Member States.

(Norway has no sugar production and is not assigned a quota.)

When production exceeds the quotas, refiners may be liable to taxation or loss of price support. Yet, in spite of the quotas the EC has turned from a net importer to a million-ton surplus producer in the few short years since quotas were established in 1968.

Sugarbeet stocks at a cooperative sugarmill in northern France, the EC zone of greatest sugar surplus.

BASIC EC SUGAR QUOTAS, 1973-74

[In thousands of metric tons]

Country	Basic quotas	Production 1971-72
Germany	1,750	2,155
France	2,400	3,248
Italy	1,230	1,142
Netherlands	550	770
BLEU	550	772
United Kingdom	990	1,027
Denmark	290	299
Ireland	150	183
Total	7,820	9,596

A basic quota is set for each factory. In addition, a maximum quota is set at 135 percent of the basic quota. (For U.K. refiners, the maximum quota will be 100 percent.) For quantities of sugar produced beyond the basic quota but within the maximum quota, each manufacturer is subject to a tax to help cover his prorated share of the disposal costs of EC production in excess of estimated human consumption (the so-called "guaranteed quantity").

Until February 28, 1975, the guaranteed quantity equals human consumption less the amount imported by the United Kingdom under the Common-

wealth Sugar Agreement. Quantities produced above the maximum quotas are not charged a tax since there is no support for such quantities and consequently no disposal costs. This sugar cannot be sold on the EC market unless there is a shortage, so it is generally exported without benefit of subsidies.

In fact, the tax on the refiner has generally been subject to a ceiling far below his calculated share of disposal costs. Moreover the refiner's tax is passed back to the beet grower through the price system. Beet growers who sell to the refiner are guaranteed the minimum price for beets used to produce sugar within the refiner's basic quota. For production above the basic quota (but within the 135-percent maximum quota), the refiner may pay a lower, but for efficient farms still profitable, guaranteed price. No price guarantee of any kind is given for beets to produce sugar outside the maximum quota. The system as a whole, however, imposes no serious penalty on overproduction.

Changes needed in the Four. New members must establish intervention prices for white and raw beet sugar and minimum prices for beets effective February 1, 1973. These prices will be alined on the common prices established for the Six in six annual steps beginning July 1, 1973 except that the final step will take place on January 1, 1978. Levies and subsidies applied by new members in trade with third countries will be adjusted by the intervention price differences between themselves and the Six. In intra-Community trade, countries with higher intervention prices will collect the price differential on imports from lower price members and pay it as a subsidy on exports to these members.

Because of its mix of imports and domestic production, the U.K. supply and distribution system is fairly complex. The Sugar Board regulates both domestic and imported supplies. The Board buys a guaranteed quantity of sugar from producers under the Commonwealth Sugar Agreement at a fixed negotiated price. This sugar is then resold to refiners, in the country of origin at the world price. The Board has usually incurred a loss on this transaction, since the negotiated price has usually been higher than the world price.

The United Kingdom also maintains direct production controls on its domestic sugarbeets in the form of acreage limitation—currently 443,000 acres. The guaranteed price of beets fixed in the annual Farm Price Review is too high to compete with Commonwealth sugar; so the Sugar Board makes up the difference in the form of deficiency payments. The Sugar Board recoups these losses on domestic and imported supplies by collecting a variable surcharge on all sugar consumed in the United Kingdom.

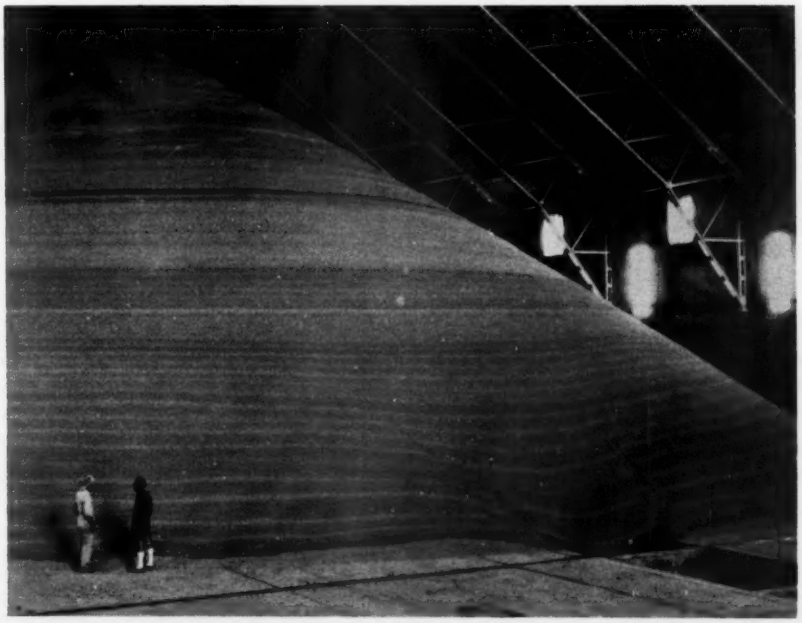
UNDER THE EC SYSTEM the United Kingdom will have to abide by the system of production quotas allocated to manufacturers instead of acreage quotas. As indicated, the United Kingdom will also have to adopt the system of intervention prices for white and raw sugar and minimum beet prices instead of deficiency payments and consumer surcharges.

The Commonwealth Sugar Agreement, which now supplies 66 percent of U.K. requirements, expires in December 1974. Developing countries retain their guarantee to sell 1.34 million tons in the U.K. market during 1973 and 1974; Australia also retains its quota of 335,000 metric tons. Protocol 22 of the Accession Treaty provides that the enlarged Community will make every effort to safeguard the interests of the developing countries after 1974, but the Australian quota has no such guarantee.

Even during the transitional 1973 and 1974 period the United Kingdom will be required to charge special levies on imported Commonwealth sugar. The special levies will offset the difference between the world market price and the U.K. selling price. Sugar imports from other third countries and those from the Commonwealth above the quotas cited will be subject to EC market regulations.

In Denmark, the Government fixes sales prices, ex factory for sugar and producer prices for sugarbeets. Price adjustment to the EC system will be minimal since Danish and EC prices do not differ much. The Danish export subsidy system also operates along lines similar to that of the EC. Denmark now exports sugar to Norway and hopes to increase those exports under the Community preference scheme.

In Ireland, as in Denmark and the United Kingdom, prices do not differ greatly from those of the EC; only minor price adjustments will be required. However, Ireland will be obliged to adopt the EC system of production quotas, and other aspects of the EC system.



Mountain of raw sugar at terminal in Queensland, Australia. When Commonwealth Sugar Agreement expires in 1974, Australia will lose its U.K. sugar quota.

Britain To Alter System of Charges on Imports of Poultry Under EC CAP

British will apply EC poultry levy system to their own industry.

Variable levies to be adopted on poultry by the United Kingdom on February 1, 1973, will be higher than the import duties now in force. On cooked turkey meat (principally turkey rolls and roasts), for example, the levy could be more than three times the present duty.

Of the prospective members, the United Kingdom is the largest importer of poultry meat. The British market for turkey meat is the principal U.S. export market for poultry products among the prospective members. U.S. sales of poultry meat in the United Kingdom amounted to $1.2 million in 1971. These exports were almost entirely relatively highly processed products, turkey rolls and roast precooked products, with a value often over $1 per pound.

For several years prior to October 1971, the British Government prohibited imports of fresh, chilled, and frozen poultry meat from countries, including the United States, which use live virus Newcastle vaccine. Hence, U.S. exports were confined to cooked meat. The import duty on most poultry meat—both cooked and uncooked—is £0.0.25 (3.06 U.S. cents) per pound.

When veterinary controls were relaxed in October 1971, the British set up a minimum import price system. Some representative minimum prices are shown in the accompanying table. The minimum price arrangements do not apply to shipments from nations such as Denmark and Ireland which concluded self-limitation agreements.

It is not yet clear to what level the change of British policy has opened a market for U.S. exports of uncooked meat. Exports, however, of total poultry meat for the first 7 months of 1972 to the United Kingdom are 1.5 million pounds, valued at $927,000, compared with 667,000 pounds, valued at $453,000, for the comparable 1971 period.

On February 1, 1973, the United Kingdom, as well as the other applicant nations, will change over to the variable levy system operated by the

(Continued on page 32)

COMPARISON OF PRESENT BRITISH IMPORT CHARGES AND CHARGES UNDER THE EC ON IMPORTED POULTRY

[In cents per pound]

Product and price	Present U.K. system [1]				EC CAP system [2]			
	Minimum price	Levy	Duty	Total charge	Gate price	Supplementary levy [3]	Variable levy	Total charge
Whole turkeys:								
41.0 [4]	51.4	0	3.1	3.1	—	—	—	—
36.1 [5]	—	—	—	—	39.4	3.3	4.1	7.4
Raw turkey breasts, bone-in:								
84.0 [6]	66.2	0	3.1	3.1	64.9	—	6.7	6.7
Boneless turkey meat, light, raw:								
90.0 [6]	101.7	0	3.1	3.1	—	—	—	—
58.7 [7]	—	—	—	—	74.2	15.5	7.9	23.4
Turkey roll, light and dark meat, cooked:								
90.0 [6]	([8])	—	3.1	3.1	95.2	0	[9] 10.2	[9] 10.2

[1] Data as of Aug. 1, 1972, converted at £1 = US$2.45. [2] Gate prices and supplementary levies as of Aug. 1, 1972. Basic variable levy estimated for United Kingdom for Feb. 1, 1973. Data converted from units of account at rate of UA1 = US$1.0857. Dollar data are approximate because of fluctuations in British exchange rate. [3] Supplementary levies generally apply to products from all countries when a product is offered from any source at a price below the gate price. [4] Estimated c.i.f. price to United Kingdom for turkey without giblets. [5] C.i.f. price Rotterdam was used to calculate supplementary levy. [6] Estimated c.i.f. price to the United Kingdom. [7] C.i.f. price Rotterdam used by the EC; applies to all boneless poultry. [8] None listed. [9] Levies may not exceed 17 percent ad valorem.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sept. 27	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.82	+30	1.89
USSR SKS-14	(1)	(1)	1.89
Australian FAQ [2]	2.39	+21	1.69
U.S. No. 2 Dark Northern Spring:			
14 percent	2.52	+19	1.81
15 percent	(1)	(1)	1.94
U.S. No. 2 Hard Winter:			
13.5 percent	2.59	+34	1.77
No. 3 Hard Amber Durum	2.45	+17	1.75
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.71
Feedgrains:			
U.S. No. 3 Yellow corn	1.71	+6	1.32
Argentine Plate corn	2.01	+8	1.57
U.S. No. 2 sorghum	1.70	+3	1.35
Argentine-Granifero sorghum	1.72	+3	1.36
U.S. No. 3 Feed barley	1.61	+9	.97
Soybeans:			
U.S. No. 2 Yellow	3.77	+14	3.33
EC import levies:			
Wheat [3]	[4] 1.30	−2	1.51
Corn [5]	[4] 1.06	0	1.02
Sorghum [5]	[4] 1.03	+1	1.04

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

Portugal's Grain Imports Up In 1971-72 Marketing Year

Portugal's overall grain imports totaled 875,000 metric tons in the 1971-72 marketing year—up 13 percent from the previous year—and are expected to rise 15 percent to slightly more than 1 million metric tons during the 1972-73 marketing year.

Wheat imports declined by 43 percent to about 170,000 metric tons, but are expected to pick up significantly during the 1972-73 season. The United States is expected to supply the bulk of these imports.

Corn imports continue to trend upwards. In 1971-72, about 575,000 metric tons of corn were imported, 54 percent more than in the previous year. During 1972-73, corn imports are expected to rise to 600,000 metric tons, up 4 percent.

Barley imports rose 30 percent to about 100,000 metric tons in 1971-72 but should drop to around 40,000 metric tons in 1972-73 because of a large carryover stock.

The outlook for grain imports in the immediate future remains unchanged. Large quantities of wheat and corn will continue to be imported to make up for shortfalls in domestic production. However, Portugal's capacity to import grains could be somewhat limited by inadequate port storage facilities. At the present time, grain storage capacity in the port of Lisbon totals 60,500 metric tons. Discussions are underway that will probably lead to the construction of an additional silo in the port area, but its completion is not envisaged before 1975.

Sweden's Record Crops Pose Export Problems

Sweden's 1972 grain and oilseed crops will hit new records according to a recent Government survey. The grain crop will exceed the large 1971 crop by about 9 percent and the oilseed crop will rise by about 50 percent. A large hay crop will add to domestic feed supplies. The apple and pear crops promise to exceed the previous year by about 15 percent.

The projected grain crop will leave an estimated exportable volume of up to 1.5 million metric tons; the oilseed crop, about 200,000 tons. This poses a major problem in the financing of these exports, especially since exportable surpluses of 70,000 tons of meat and 16,000 tons of butter and eggs are expected to develop in 1972. At present prices, export losses would approach $159 million or 10 percent of the gross agricultural product at wholesale prices.

There are also other problems facing Sweden's agricultural planners. There is a deficit of about $21 million kronur resulting from grain operations in fiscal 1972, and prospects for Sweden's selling grain and pork surpluses on the British and Norwegian markets may diminish after these countries have joined the European Community.

SWEDEN'S 1972 CROP PRODUCTION, WITH COMPARISONS

[In millions of metric tons]

Commodity	1970	1971	1972 [1]
Grains:			
Wheat	0.96	1.00	1.19
Rye	.23	.34	.39
Barley, oats, and mixed grains	3.80	4.10	4.29
Total	4.99	5.40	5.87
Other crops:			
Oilseeds	.17	.23	.35
Potatoes	1.50	1.20	1.20
Sugar beets	1.60	1.70	1.80
Hay	2.80	2.90	3.70
Apples and pears	.14	.12	.14

[1] Estimated.

Record Australian Feedgrain Production in 1971-72

Australian feedgrain production in 1971-72 reached a record, mainly owing to sharply increased barley production. Japan remained Australia's largest customer for feedgrains.

Land diverted from wheat because of acreage restrictions was planted to barley or grain sorghum. Barley production increased 32 percent because of good growing conditions; exports totaled a record 1.84 million tons. Production of oats decreased because of large stocks on farms and low export prices.

Sorghum production declined from 1.3 to 1.1 million tons in 1971-72; exports continued their spectacular uptrend of recent years, with virtually the entire crop going to Japan. This was double the amount exported in 1971-72. Corn production increased to 259,000 tons, and corn exports doubled to 41,000 tons.

The outlook for feedgrains in 1972-73 is still uncertain, owing to drought conditions throughout Australia. At this time it appears that barley production will decrease, production of oats will remain small, and corn and sorghum production may increase.

U.S. Grain Exports Increase 89 Percent

July 1972 exports plus August inspections for all U.S. grains totaled 9.2 million metric tons, an increase of 89 percent over the 4.8 million for the July-August 1971 period. Exports of wheat increased by 58 percent, while those of corn zoomed up by 116 percent.

The remaining grains are less than 15 percent of total exports, but all show significant increases with the exception of rye. Total exports were 38 percent greater than for the same 2 months of 1970.

COTTON

Pakistan Anticipates Another Bumper Cotton Crop

Pakistani cotton producers are looking forward to a 1972-73 cotton harvest that will equal or excel last season's bumper 3.4 million bales (480 lb. net), according to current trade estimates. Optimistic reports place the potential outturn as high as 3.68 million bales, but excellent yields would be required to reach this level. Cotton acreage was increased this year as land was diverted from sugarcane and rice to cotton and some new land was made available through irrigation. The harvest will continue through December.

Devaluation of the Pakistani rupee earlier this year, high stocks of extra-long staple (ELS) cotton, and an anticipated reduction in consumption of this type of cotton are expected to erase any earlier prospects of importing U.S. ELS cotton during fiscal 1973 under the Public Law 480 program. Textile production is reported to be changing toward the production of coarser count yarns and cotton products which can substitute for jute goods formerly received from East Pakistan, now Bangladesh.

Pakistani cotton prices have continued their decline in Liverpool, with the variety equivalent to U.S. M 1-inch falling more than 10 cents per pound since late February and almost 5 cents since late May. It was quoted below 29 cents for the week ending August 24. Japanese exporters in Pakistan are reported to be selling 6 months' futures of Pakistani cotton to Japanese firms at low prices, counting on a large crop. The Pakistani cotton trade is waiting for the Government's announcement of its cotton policy for fiscal 1973 and for some indication of whether the current 40-percent ad valorem excise duty on cotton exports will be reduced this season as an aid to exports.

USDA Team Surveys Cotton Production in USSR

A six-member team of cotton specialists and specialists in Russian agriculture is visiting the Soviet Union September 16 to October 15 to make a comprehensive study of cotton production.

The team will confer with officials of the U.S. Embassy and Russian Ministry of Agriculture in Moscow and visit major cotton producing areas in Uzbekistan and other important cotton producing areas in Central Asia.

The group will visit cotton farms and gins and confer with public officials and cotton research leaders in each of the Soviet Republics on its itinerary.

The Soviet Union has led the world in cotton production in several recent years, and Russian press reports indicate that the crop now being harvested may equal or exceed the record production of 11.1 million bales in 1971-72.

LIVESTOCK AND MEAT PRODUCTS

Australia Beef and Veal Output High As Herd Buildups Continue

Reports from the *Commonwealth Statistician* show that Australian beef and veal production in 1971-72 was a record 145,000 long tons, or about 115,000 tons above that of the previous year.

Further boosts in production are possible this year due to cattle numbers increasing faster than meat production.

Mutton production increased in the year ended June 30 by 125,000 tons, up to 588,000 long tons. This was due largely to the switch from sheep to cattle because of low wool prices. The added volume of mutton was sold, but the prices were not spectacular.

With the slight upturn in wool prices in recent months, the slaughter of sheep has tapered off.

Lamb production was down slightly but totaled 345,000 long tons. Pork production continued to increase, reaching 191,000 long tons in 1971-72 compared with 179,000 long tons in the previous year.

Japan's Livestock Industry Plans Office in Australia

Japan's Livestock Industry Promotion Corporation plans to post a former high Ministry of Agriculture official as

its representative in Sydney, Australia. This quasi-Governmental agency formulates pricing for the Japanese market. Apparently the chief responsibility will be to collect information on prices and supply not only of meat, milk, and eggs but probably also feedgrains.

U.S. Export Controls on Hides Rescinded by Legislation

Legislation was recently signed extending the U.S. Export Administration Act of 1969 until June 30, 1974. The legislation rescinded export controls on hides that had been imposed on July 15 and requires specific approval of the Secretary of Agriculture before such controls can be imposed on hides or other agricultural commodities.

TOBACCO

Sweden May Further Restrict Tobacco Advertising

On May 10, 1972, a Swedish Government committee submitted a proposal that the Freedom of Prices Law should be amended to make it possible to restrict or prohibit advertisements concerning tobacco products and alcoholic beverages.

Action against unfair or inappropriate advertising is not considered a violation of the Freedom of Press Law in Sweden. However, such actions have already been taken partly on a voluntary basis and in accordance with rules established by the International Chamber of Commerce.

For example, it is against the rules to direct the advertisements to children and youth and to use wording that is strongly suggestive. It is also against the rules to feature idolized or famous persons in tobacco advertisements. Rules have also been established concerning the maximum size of advertisements. With these guidelines, it is up to the Swedish Consumers Representative and the Market Council to supervise adherence to these rules.

The Government is likely to submit a bill to Parliament this fall concerning an amendment in the Freedom of Press Law. It remains to be seen if this will lead to any further restrictions in advertising tobacco products.

Cigarette Production Rises in Pakistan

Despite depressed economic conditions in Pakistan, cigarette production has gone up 8 percent during January-June 1972, according to a Pakistani news article.

The article stated that the 1971 cigarette consumption in Pakistan (West) was slightly over 20 billion. During the first 6 months of 1972, 12 billion cigarettes were produced. Of the total cigarette consumption, about 15 percent are of upper middle-grade and high-grade cigarettes priced at 41 paisa and above per package of 10. About 44 percent of the cigarettes consumed are sold at 21 paisa and below per package, and nearly 41 percent fall within the category of 21 to 40 paisa per package.

Rise in cigarette consumption during the first 6 months is largely due to stoppage of bidi wrapper leaf from Bangladesh. However, the cigarette industry has been adversely affected, since about 60 percent of the market has been lost to Bangladesh. While there is a reasonable chance of increasing exports, immediate prospects do not appear very bright.

FRUITS, NUTS, AND VEGETABLES

Iranian Crop of Dried Fruit Larger

Iran reports a larger 1972 dried fruit crop. Production is estimated at 419,000 short tons, 9 percent above last year. Date production is estimated at 353,000 tons, a 14-percent increase based largely on this being the high year of the alternate bearing cycle. Late frost, heavy snow, and hail killed many fruit-bearing shoots in the raisin production areas, where the crop is estimated at 55,000 tons, 17 percent below 1971. Dried apricot production totaled 11,000 tons.

Preliminary forecasts indicate that 1972-73 season exports will be larger for dates and dried apricots, but smaller for raisins. The Institute of Standards and Industrial Research of Iran is currently drawing up regulations for compulsory standardization of domestic raisins, which are expected to increase the export potential in Iran. Standardized samples were recently sent to European markets, where they were reportedly well received.

FATS, OILS, AND OILSEEDS

India Reported Seeking Edible Vegetable Oils

The Government of India is unofficially reported to be planning imports of 200,000 metric tons of edible vegetable oils. The Indians are said to be exploring various possible sources—Malaysia for palm oil, Canada for rapeseed oil, and Brazil for soybean oil or possibly soybeans to be processed in India. Price will be a major factor.

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FOREIGN AGRICULTURE

Britain To Set New Poultry Import Charges (Continued from page 28)

original six EC members. EC minimum import prices—called gate prices—will be adopted by them, and in addition, their import duties will be replaced by variable levies. EC gate prices and variable levies change quarterly with changes in world market prices for feedgrains.

Although the EC gate prices are generally lower than the U.K. minimum import prices, the other elements of the EC system and the application of the system results in EC total charges being at levels significantly higher than in the United Kingdom.

The table compares the present U.K. duty and total import charges with those applied under the EC system. The variable levy element of the EC system will not be fully applicable until January 1, 1978. The variable levy level in the table reflects the adjusted level effective February 1, 1973.

Starting basic levies in Ireland and Denmark will be higher than in the United Kingdom. All will gradually aline their levies with those collected by the Six until a single levy is collected Community-wide on January 1, 1978. Full EC gate prices and supplementary levies are expected to apply to imports from third countries from February 1, 1973.

In intra-Community trade there will be no levies or gate prices. Those countries like Denmark and the Six, whose feedgrain prices will be relatively higher at the outset, will put a charge on imports from members with lower feedgrain prices—like the United Kingdom and Ireland—equal to the difference in feedgrain costs of production. Similarly, the Six and the Danes will pay export subsidies equal to this same cost differential on poultry sales to the United Kingdom and Ireland. These charges and subsidies will be gradually eliminated as feedgrain prices are unified.[1]

[1] The system is similar to that for pork, see p. 20.

Rice Common Agricultural Policy (Continued from page 9)

the compensatory amount: in this example, $61.99. This would be comparable to the present EC subsidy of about $65 per ton on brown rice. However, the EC subsidy on exports of medium-grain milled rice to the United Kingdom will increase substantially for other rice. For example, for medium-grain milled rice on September 1, 1972, the Six paid a subsidy of $100 per ton on exports to the United Kingdom. Under the formula described above, the corresponding compensatory amount, or subsidy on exports to the United Kingdom on February 1, 1973, could be over $150 per ton.

Italy's ability to expand exports to the Four depends upon crop conditions which vary from year to year. It is noteworthy, however, that under the EC subsidy policy, U.K. imports from Italy rose from 1,700 tons and 1.3 percent of the market in 1970 to 35,800 tons and 24.3 percent of the market in 1971.

As the Four move toward the full level of common protection against non-EC rice, levies imposed by the Four on third-country rice will rise, and the compensatory amount paid by the Six will fall until in 1978 the Four charge full levies on non-EC rice, and the Six pay no subsidies on exports to the Four. The Four will move toward this level by raising their initial threshold prices toward the common threshold price in six equal annual steps starting September 1, 1973, except that the final step is scheduled for January 1, 1978.

Suppose then that the lowest adjusted c.i.f. price on February 1, 1973, for medium- and long-grain brown rice is $145 per metric ton. Under these conditions, the Six would collect a levy on third-country rice, per metric ton, of $106.99 ($251.99 minus $145). If the United Kingdom's threshold price turns out to be close to the current market level of $190, it would collect a levy on imports from third countries of $45 ($190 minus $145).